Nuclear waste
The debate over reprocessing
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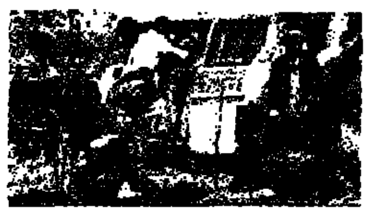

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Section III

NEWSPAPER of THE YEAR

FINANCIAL TIMES

Monday September 21 1992 — EUROPE'S BUSINESS NEWSPAPER — D8523A

France narrowly votes Yes

Swedish parties agree emergency budget package

An emergency Swedish economic package was agreed last night by the minority coalition government together with the Social Democratic opposition. The aim is to convince international financial markets that Sweden's currency will not be devalued.

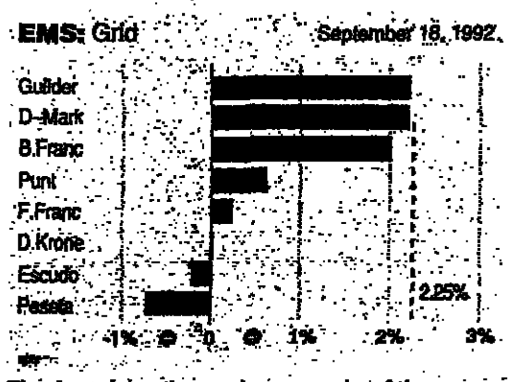
Under the proposals there will be sweeping cuts in state benefits and tax increases. The measures will lead to a total reduction in the budget deficit SKr28bn (£2.9bn) next year. Page 22

Fresh Serb offensive: Bosnia's Serb forces stepped up their attempts to gain control of the main routes into the capital Sarajevo as they sought to consolidate their positions before winter. Page 22; UN vote and Sarajevo flights, Page 4

Swedes jailed in Iraq: Three Swedish telephone engineers who strayed into Iraqi territory from Kuwait earlier this month have been jailed for seven years for "illegally" crossing the border with Iraq". Swedish foreign minister Margaretha af Ugglas said the sentences were "incomprehensible and unacceptable".

European Monetary System: The European Exchange Rate Mechanism's grid starts the week in its newly-emasculated form, following the suspension from the system of both sterling and the Italian lira. A hard core of currencies closely pegged to the D-Mark are at the top of the grid, while the currencies that have been under intense selling pressure (the Spanish peseta, the Danish krone and the French franc) are at the bottom. These two groups have become more polarised with the heavier investment in D-Marks on the foreign exchanges. If that polarisation continues, the system may disintegrate. Currencies, Page 33

EMS: Grid September 18, 1992



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

Dan-Air merger talks: Davies & Newman Holdings, owner of Dan-Air, UK-based airline, has started preliminary merger discussions with Virgin Atlantic after talks between Dan-Air's parent and British Airways collapsed earlier this month. Page 23

Geraint Evans dies at age of 70

Sir Geraint Evans, a miner's son who became one of Britain's most successful and best-loved opera singers, died aged 70 after a heart attack at his home in the resort town of Aberaeron. Jeremy Isaacs, general director of the Royal Opera House, called Sir Geraint "one of the greatest artists and . . . personalities to sing at Covent Garden". Obituary, Page 19

Insurers to merge: Clerical Medical and National Provident Institution, mutually owned life insurers, are expected to announce a merger creating a company with £11bn in assets under management. Page 23

Islamic initiative: A $400m (£224.5m) venture capital fund is planned to make investments according to Islamic doctrine. Page 8

Terror squad chief goes: Scotland Yard's anti-terrorist branch chief George Churchill-Coleman is to be replaced. Picture, Page 12

Estonian elections: Estonia, smallest of the former Soviet republics, voted for a parliament and president in its first free elections since before the second world war. Page 4

Sudan peace prediction: A ceasefire in Sudan's civil war will be negotiated "very soon", Tiny Rowland, chief executive of international conglomerate Lonrho said. Page 6

Rachel Nickell case: Detectives investigating the murder of Rachel Nickell, the 23-year-old mother stabbed to death on Wimbledon Common in July, have been given a 36-hour extension by magistrates to question a man arrested on Friday.

Georgia ambush: Rebel forces in the separatist Georgian region of Abkhazia ambushed a bus carrying government troops, killing seven and wounding 14 further dampening hopes for a lasting ceasefire.

Safe Endeavour: The US space shuttle Endeavour landed safely at Cape Canaveral, Florida, after completing an eight-day scientific mission for Japan. It was the 50th shuttle mission and the crew included Japan's first professional astronaut.

Ministry hails Maastricht win

By Our Foreign Staff

France narrowly approved the Maastricht treaty on European union yesterday, according to the country's Interior Ministry shortly after the polls closed last night.

On a relatively high turn-out, between 69 and 72 per cent, France's three main polling institutes quickly estimated that 51-51.5 per cent had voted for the controversial treaty.

The apparent success for the Yes campaign was immediately hailed by Mr Laurent Fabius, secretary of the ruling Socialist party, as "a victory for democracy and for the president who, in calling the referendum, had taken the initiative for it".

The first reaction to the vote by British ministers was a mixture of relief and anxiety. Mr John Major, who currently holds the rotating EC presidency, had feared that a No vote would plunge the Community into confusion and put back for several years plans for enlargement.

But the prime minister now faces a bitter struggle against Conservative Euro-sceptics to push ratification of Maastricht through the House of Commons. After the chaos of sterling's withdrawal last week from the ERM the sceptics were warning that the issue could split the Conservative party.

Mr Jacques Delors, President of the European Commission, hailed last night's vote as a victory: "In a referendum only the result counts." France should be thanked "for Europe, for democracy and for history", he said.

Other European Community governments, which had been watching the French referendum campaign with intense anxiety, also expressed relief at the predicted outcome.

Mr Theo Waigel, German finance minister, said in Washington that the French vote, if confirmed, was an important step on the road to Europe.

"A small majority is better than a minority, he said. "It is a good result, It is a positive signal for integration in Europe and a positive signal for the markets."

Mr Helmut Schlesinger, president of the Bundesbank, Germany's central bank agreed that if initial projections were confirmed, it would calm world financial markets.

"I hope it is correct. If the result stands, then it is certainly a calming factor for the markets," Mr Schlesinger said.

The franc moved sharply higher against the D-Mark on the news that the French had probably voted narrowly in favour of the Maastricht treaty.

As the results of the first exit polls came through, the franc jumped to FFr3.3950 per D-Mark up from Friday's close of FFr3.4200 and more than three centimes above its floor in the European exchange rate mechanism.

EC finance ministers, in Washington for the annual meeting of the International Monetary Fund, were due to meet yesterdayafternoon to consider how tohandle the markets after the vote.

At European Commission headquarters in Brussels, the sense of relief was almost cathartic.

But most officials recognised that the vote was so close that it had merely removed one hurdle for the Maastricht treaty, rather than dispelling doubts about its ratification and implementation once and for all.

That view was shared by those who had campaigned for a No vote in France. Mr Jean-Pierre Chevènement, the leading anti-Maastricht campaigner in the

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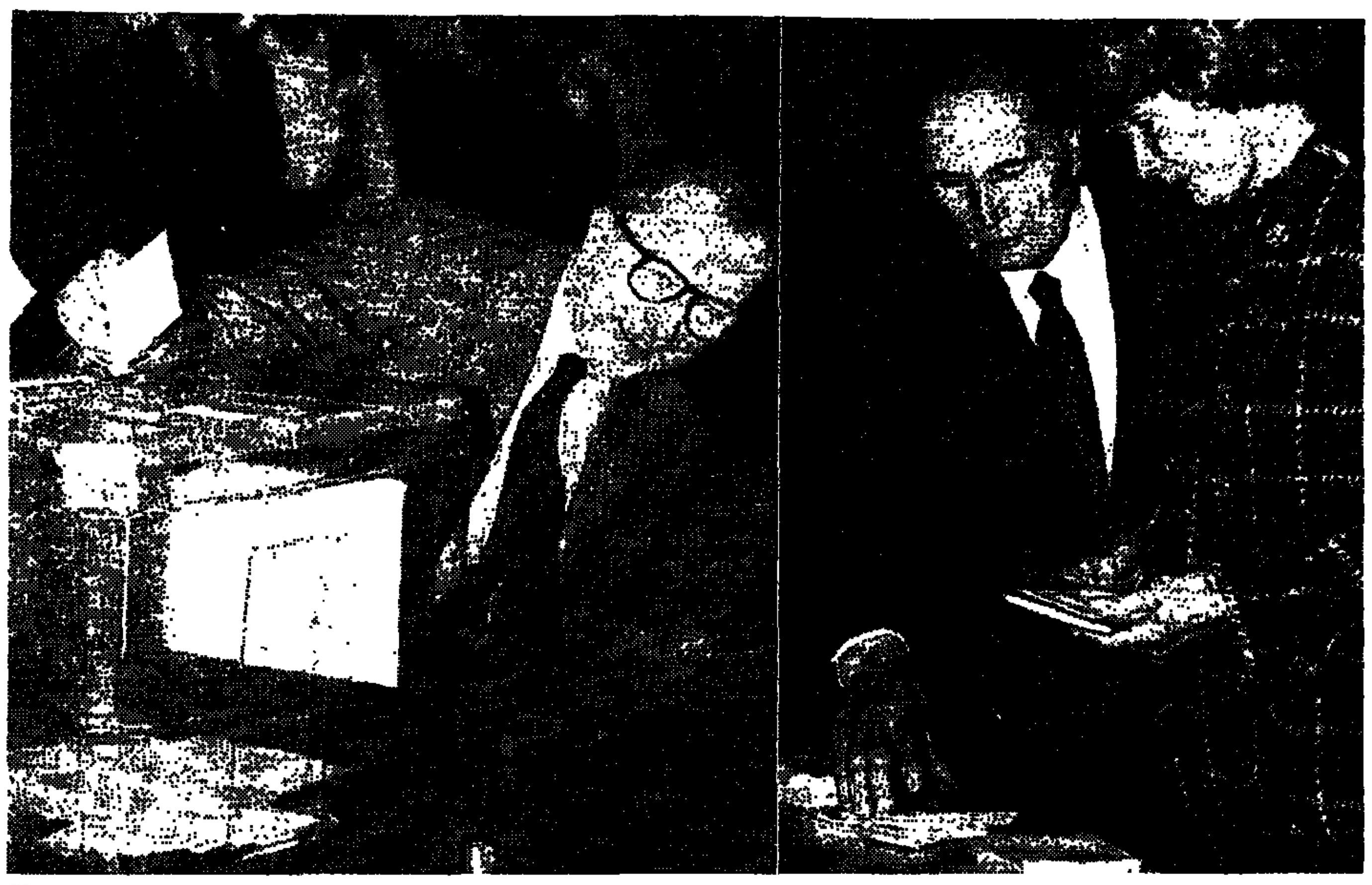
EUROPE AFTER THE VOTE

Pages 2 and 3

- Referendum dangers
- Make your mind up time
- Bonn supports EMS
- Lamont's charm offensive



Three Ouis: Jacques Delors (left) casting his vote in Clichy, while François Mitterrand and his wife vote in Chateau Chinon

UK to be tougher on spending

By Peter Norman in Washington and Philip Stephens in London

THE UK government will take an even tougher line on public spending since suspending the pound's participation in the European exchange rate mechanism, Mr Norman Lamont, the chancellor of the exchequer, said yesterday.

Speaking in Washington, Mr Lamont said that monetary policy, which now will be based on a range of financial indicators, would be supported by a tight fiscal stance: "With sterling now floating outside the ERM, a rigorous approach to public spending will be even more important."

His comments came as ministers in London suggested that sterling's withdrawal opened up the prospect of a small cut in interest rates as long as the pound stabilised on currency markets. Senior Whitehall officials pointed out that both inflation and output had "undershot" the Treasury's predictions in the March Budget allowing some scope for an easing of policy.

Mr Lamont refused to be drawn on when rates might fall. Instead he stressed that the government would not take any risks with inflation. It would ensure that monetary conditions are sufficiently tight to ensure the government's objective of bearing down on inflation.

He said UK monetary policy before the floating of the pound last Wednesday had been tighter than required to deliver the UK's inflation objectives. On the other hand, the subsequent fall of sterling had produced some loosening of monetary policy.

The weekend also saw new tensions within the government on the timing of re-entry into the ERM. Some pro-European ministers warned that Mr John Major, the prime minister, could not risk consigning Britain to the "slow lane" of Europe by remaining outside indefinitely.

Their warnings came amid a new offensive by Conservative Euro-sceptics who are determined to fill the vacuum left by last week's retreat from the ERM. Lady Thatcher's sharp criticism of Mr Major in a weekend speech in Washington was echoed by several acolytes in London yesterday, who demanded that Britain quit the ERM completely.

Mr Lamont, who was addressing the International Monetary Fund's policy-making interim committee said he would be making an assessment of the UK's present monetary stance soon after his return to Britain today.

The assessment, which could determine interest rate changes, would be based on a number of financial indicators, including narrow money, broad money, assets prices including houses and the sterling exchange rate.

He acknowledged that operating monetary policy without a clear and simple rule such as ERM membership was not easy. "Judgment has to be applied," he said. "Operating a floating regime is not easy and not a soft option."

This was also true of fiscal policy. "It has been suggested that while monetary policy was constrained by the ERM, we should have been prepared to follow a more expansionary fiscal policy," he told the IMF meeting. "Whatever the merits of that argument, and I, myself, was far from convinced, they clearly do not apply now."

Although Mr Lamont delivered a message of rigour, he was clearly pleased with life, despite the currency upheavals of the past week. He was asked why he looked so relaxed and cheerful. "I always look on the bright side," he said. "My wife said she had never heard me sing in the bath before".

Finance ministers ready to respond

By Peter Norman, George Graham, Robert Peston and Michael Prowse in Washington

FINANCE MINISTERS from the world's leading industrial nations were last night preparing to restore calm in case of financial market turbulence following the French referendum on the Maastricht treaty.

A weekend meeting of the Group of Seven finance ministers agreed to take "appropriate additional actions as needed" to achieve currency stability.

European Community finance ministers said yesterday they were ready to bring Japan, the US and Canada (which together with Germany, France, the UK and Italy make up the G7) into their discussions if necessary, but said responsibility for reacting to the French vote lay primarily with the Europeans.

Their remarks came after a meeting of finance ministers yesterday called by Mr Norman Lamont, the British chancellor of the exchequer, in his capacity as president of the EC finance ministers' council.

It remained unclear what additional moves had been agreed. The G7 communiqué said the ministers and central bank governors expressed concern about the recent volatility in world markets and agreed on the importance of restoring stable relationships.

They said they would "continue to co-operate and to monitor closely economic and financial conditions in their countries" and act as needed "to achieve sustained growth and greater currency stability".

The ministers' promise of additional action provoked scepticism among some bankers in Washington. Mr Wolfgang Röller, chief executive of Dresdner Bank, said it was difficult to imagine anything that could be effective, given the size of foreign exchange markets.

With ministers aware that a public display of disagreement could further upset financial markets, the G7 meeting was unusually harmonious. "No one was put in the dock," said Mr Michel Sapin, the French finance minister. Mr Lamont went out of his way afterwards to say that he was not criticising Germany's monetary policy.

Mr Theo Waigel, the German finance minister, said he did not come under pressure to cut interest rates.

But there was no sign of any early changes in economic policies. As expected, Germany refused to promise any further interest rate cuts, and the US made no precise commitment to new efforts to curb its budget deficit.

Continued on Page 22

Support for vote on Irish claim

By Tim Coone, in Dublin

THE IRISH government has indicated it will support a referendum to amend its territorial claim over Northern Ireland, if "a fair and honourable accommodation" can be reached between unionist and nationalists in the talks on the province's future.

This could mean rewriting articles two and three of the 1937 Irish constitution which lay claim to the 6 counties of Northern Ireland.

The round-table talks, which move to Dublin today, will be attended by the British and Irish governments, and three of the four main constitutional parties in Northern Ireland.

The hard-line Democratic Unionist Party said on Friday it would not send a delegation to Dublin, arguing that the Irish government had not shown any flexibility on its territorial claim.

However a statement to unionist leaders in Stormont last Friday by Mr David Andrews, the Irish foreign minister, - leaked to Sunday newspapers in Dublin and Belfast - indicates the Irish government said it was prepared to go ahead with a referendum in the context of an overall settlement.

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Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft192	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr160	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25.00	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3900	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	S£50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM10	Korea	Won 2500	Philippines	Peso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 18,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.75	Portugal	Es180	UAE	Dh11.00

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Yes for Delors from Merthyr mayor

By Andrew Hill in Clichy-la-Garenne

THE MAYOR of Merthyr Tydfil was up early yesterday morning to throw his weight behind Mr Jacques Delors and the Yes campaign.

Councillor David Jarrett did not necessarily expect to find himself a central figure in the 11th-hour campaigning.

He and a delegation from the Welsh borough's Labour-run council were in Clichy, Merthyr's twin-town, to celebrate the Paris suburb's 70th anniversary.

But at about 9.30am they were wheeled out to greet the Commission president – a former mayor of Clichy – as he arrived in the municipality in order to cast his vote.

A somewhat bemused Mr Jarrett, sporting a Oui lapel-badge, admitted that he had never met Mr Delors but added: "He's a socialist, so I suppose we have that in common."

All in all, it turned out to be a good morning for socialist mayors.

Mr Gilles Catoire, the current incumbent in Clichy, could hardly contain his excitement. Such was Mr Catoire's eagerness to please that he spoilt the picture every television crew wanted – a stoical Commission president emerging from the polling booth – by jumping in front of Mr Delors as he swept back the green curtain.

Mr Delors himself appeared in buoyant mood, despite the delicate state of Community politics.

Voter number 269 joked with cameramen, gave two relaxed interviews in English to British television crews and dutifully posed in front of Oui posters outside the *mairie*, or town hall.

But behind the bravado and bonhomie, there was no mistaking Mr Delors' distress at the apparent collapse of monetary and political consensus in the Community.

"It will be very difficult after the events of this week to find a quick solution so that we can continue the construction of Europe," the Commission president said.

Irrespective of the French vote, the *Maastricht* Treaty would probably have to be renegotiated to accommodate the Danes, he added. It was a flexible document, not a rigid text – the real difficulty would be guessing which parts of the treaty opponents had rejected.

As for Mr Delors' personal stake in the outcome of the referendum, the Commission president confirmed again that a No would prompt his resignation. If necessary, he would "continue the struggle" from outside the Brussels bureaucracy, he said, through trade unions and professional organisations.

If he remained, then one of the Commission's first jobs would be to "reconcile the Germans and British", whose increasingly angry exchanges over last week's currency crisis risk tainting future Community co-operation.

Meanwhile, in the Bar de la Mairie, across the square from Clichy's town hall, the personal fate of the Commission president seemed of little import to locals taking a break from the Sunday market. "Yes or No, whether they devalue the franc or not, nothing much will change," muttered one broken-nosed businessman.

As the presidential entourage departed – taking Mr Delors to his Paris *pied-à-terre* for a nervous few hours awaiting the results – the bar's customers scarcely looked up from their breakfast glasses of kir and muscat: just another ex-mayor en route to his destiny.

A right to hunt ring doves

William Dawkins dreams up an offbeat European treaty designed to suit all tastes and circumstances.

FRANCE'S hyper-efficient public administration has a plan for every contingency.

The boffins from the Ecole Nationale d'Administration have devised a secret counter-treaty. Its sole purpose is to satisfy every possible objection floated by all sides of the French public and as such is only a basis for negotiation. An executive summary has mysteriously come into our hands.

Article 1:
Subsidiarity. As stated in the original treaty, the European Community shall cease to have any powers in matters where national decision-making is most appropriate. But it shall mind its own business with especial care in the following specific areas. This list can be unilaterally expanded – but not shortened – by any member state:

- Foods. Cheap lamb, beef and pâté de foie from eastern Europe can be kept out according to individual governments' wills. Free pan-Community market access guaranteed for all EC-made unpasteurised cheeses known to the Prince of Wales, wines and perfumes.
- Sports. The right to hunt ring doves and other small birds across internal frontiers is guaranteed.

Article 2.
Monetary Union.

- Single currency programme to take place as envisaged, but the new currency will be called the Francfort and will circulate in parallel with all existing EC currencies.
- Central European Bank. It will be fully independent from market forces. This is to be a largely ceremonial institution, based in Lyons, at the heart of Europe. The bank's duty will be to promulgate monetary and economic policies decided by European Community finance ministers, on a unanimous vote only.

Article 3:
Security co-operation.

- Member states shall make their own arrangements over immigration. Visas will be issued by individual member states and apply to the country of issue only. Customs posts will be strengthened.

Article 4:
The treaty shall be expanded to include these trade matters.

- The Common Agriculture Policy and EC steel quota regime are to be reinstated.
- All Japanese car imports to be cleared through Peugeot headquarters in Paris. Vehicles applying for entry to be left in convenient little underground car park at the back, quite near the metro station. Parking fees from FFr500 (£56) per vehicle per day. Import licences granted by unanimous vote in the EC council of ministers.

Article 5:
Ratification.

- This treaty can only come into effect on achieving a simple majority by simultaneous referendum in all 12 member states. After ratification, any member state can opt out of all or part of the treaty for a temporary period or for ever if its parliament wishes.

The ups and downs of European co-operation

1950
General de Gaulle accepts German rearmament.

1954
French parliament refuses to ratify European Defence Community.

1958
European Economic Community established: Belgium, France, Italy, Luxembourg, Netherlands, West Germany.

1962
European Commission proposes European Monetary Union but gets nowhere.

1966
France pulls out of integrated structure of Nato.

1970
Heads of government adopt plan for European Monetary Union but have to abandon it later.

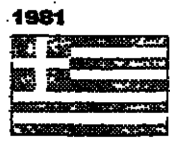
1972
'Snake' exchange rate mechanism set up as Bretton Woods system begins to break up.

1973

Denmark, Ireland and United Kingdom join Community.

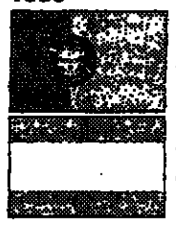
1979
European Monetary System (EMS) starts operation, but goal of European monetary fund unfulfilled.

1981



Greece joins Community.

1986



Single European Act signed. Single market to come into force January 1993. Portugal and Spain join Community.

1990
Rome summit: start of intergovernmental talks on European monetary and political union.

1991
Maastricht Treaty agreed by member states.

1992
Maastricht Teaty rejected in referendum in Denmark, by 51 per cent to 49 per cent.

Maastricht Treaty approved in referendum in Ireland, by 69 per cent to 31 per cent.

Exchange Rate Mechanism turmoil: Italy and United Kingdom suspend membership, raising doubts of ERM/EMS future.

Yesterday
France votes on the Maastricht Treaty

What's at stake in the Maastricht treaty

- Political union/inter-governmental foreign and security policy "which might in time lead to a common defence."
- European citizenship.
- More extensive social policies (not applied to UK).
- Central role for principle of subsidiarity (decision-making close to the people).
- Inter-governmental framework for justice and home affairs.
- Modest increase in powers for European parliament.
- Upgrading of court of auditors.

Economic and monetary union

- Commitment to economic and monetary union by 1999 for countries which fulfil economic criteria.
- Increased pressure for countries to keep exchange rates stable in the European Monetary System.
- Cohesion fund to help poorer countries.
- European monetary institute to be set up in 1994 as forerunner to European central bank.

Mitterrand risks the path of direct democracy

By William Dawkins in Paris

THE referendum has been an ambiguous and sometimes dangerous weapon for French presidents throughout the 34 years of the fifth republic.

Few of them have been able to resist the temptation to appeal directly to the people, for a mixture of reasons: to enforce their own legitimacy, confound their political enemies or simply to get a firm decision on an important national issue.

Yesterday's poll was the seventh referendum during the current French constitution and the second called by Mr Franc'ois Mitterrand. Technically, it was the least necessary of all of them.

Mr Mitterrand would have been constitutionally entitled to leave it to parliament to ratify the Maastricht Treaty. Indeed, parliament did ratify the treaty last June.

Several of the president's government ministers were horrified when he said he would seek a popular vote. They knew it could backfire and turn into a vote against the declining popularity of Mr Mitterrand and his party, rather than a rational decision on Europe. Mr Mitterrand's argument was that French ratification would be worthless without a public debate.

Previous referendums have made the risks of direct democracy in France only too clear. Low turnouts have produced distorted results and it has sometimes proved difficult for the electorate to separate the question from the questioner.

General de Gaulle is the classic example. He was master of the art, calling no fewer than five referendums. Most were on issues which already commanded public support and so appeared a safe way of bolstering his personal legitimacy. On each occasion, Gen de Gaulle warned the electorate that he would resign if there was a No vote, in contrast to Mr Mitterrand, who has kept his options open and begged voters not to use the referendum as a presidential plebiscite.

In the end, Gen de Gaulle fell into his own trap and resigned after a 1969 vote on decentralisation and reform of the senate, the upper house of parliament.

Mr Mitterrand has tried to avoid the same fate by asking the electorate to wait until elections next March to vote on the Socialists' record.

Referendums under the Fifth Republic 1958-1988

Date	Subject of vote	% Yes vote	% abstentions
Sept 1958	Adoption of Fifth Republic constitution	82.6	20.16
Jan 1961	Algerian self determination	74.99	26.24
April 1962	Evian accords	90.81	24.66
Oct 1962	Election of French president by universal suffrage	62.25	23.03
April 1969	Reform of regions and senate	47.59	19.87
April 1972	Enlargement of European Community	68.32	39.76
Nov 1988	Self determination for New Caledonia	80	63.10

Gen de Gaulle claimed that the referendum was the cleanest and most honest democratic practice possible, pointing to the 1789 declaration on the rights of man, which speaks of citizens' rights to take a personal part in the formation of laws. His critics argued that he used referendums partly to go over the head of parliament, an institution he never really respected.

Since 1969, French presidents have been more or less keen to use referendums. Mr Georges Pompidou called a referendum only once, in 1972, to ratify the entry into the European Community of Britain, Ireland, Denmark and Norway. (Oslo later withdrew its application, as the result of another referendum which backfired famously.)

Mr Valéry Giscard d'Estaing steered clear of referendums altogether during his presidency from 1974 to 1981. It was Mr Mitterrand who reintroduced the practice, with a poll in 1988 on a new statute for New Caledonia, a French overseas territory. Not surprisingly, this obscure question produced a bored response, with a turnout of barely 37 per cent.

Perhaps it was a sign that the French electorate had started to lose the old feeling that every referendum was a vote for or against the president.

Even so, polls taken during the Maastricht campaign indicate that last night's result will have been the outcome of a complex mixture of French feeling about Maastricht, about Europe generally and about Mr Mitterrand personally.

Voters left in no doubt about 'historic choice'

One member of the French electorate explains her referendum dilemma to Alice Rawsthorn

EVEN when Ms Marie Bertrand arrived yesterday at the entrance of her local *mairie*, or town hall, in the fourth arrondissement of Paris to cast her vote in the Maastricht referendum, she had still not decided whether it would be Oui or Non.

"I just can't make up my mind," she said. "For years I've been pro-European unity, but the Germans make me really nervous. They're too powerful. I'm going to wait until the very last moment to decide. It's between me and the polling booth."

A brief glance at the weekend press on the corner news stand would have left Ms Bertrand with no doubts about the importance of her decision. The French newspapers, which have for weeks been swamped by articles on the merits and demerits of ratifying the Maastricht Treaty, all emphasised the drama of the knife-edge end to the referendum campaign.

Un choix historique – à vous de dire ("An historic choice – it's up to you") was splashed across the front page of Le Journal de Dimanche. The weekend edition of Le Monde was more restrained, but no less resonant, with the headline *Trente-huit millions d'électeurs français décident de l'avenir de l'union européenne* ("Thirty-eight million French voters decide the future of European union").

Voters, like Ms Bertrand, filed in and out of the fourth *arrondissement* town hall throughout the day. Its facade, like that of every other *mairie* in France, was covered with huge screens bearing posters from the various political parties.

The Greens restricted themselves to a stark blue and white *Oui à l'Europe*. The extreme right National Front opted for a soft focus shot of its leader, Mr Jean-Marie Le Pen, trying his hardest to look avuncular, with the slogan *Non à l'Europe. Non à Mitterrand.*

The surrounding streets were littered with the pale grey vans of the CRS riot police. Ordinary police, clad in their pale blue summer shirts, stood around the town hall entrance. "It's not that we're expecting trouble," said one. "But we're here just in case."

Police were stationed around all the other polling stations and political buildings in Paris.

The National Assembly on the Quai d'Orsay was shrouded by riot barriers, as was the Socialist party headquarters a few streets away on rue Solferino, where Mr Laurent Fabius, first secretary of the party, gathered in the evening with other pro-Maastricht Socialists to hear the referendum results.

On the other side of the Seine the 20 volunteers who had turned a small suite of offices on rue François Premier into the headquarters of the No camp, spent the day preparing for an evening reception for Mr Philippe Séguin and Mr Charles Pasqua, the RPR politicians who have spearheaded the No campaign.

The volunteers will today leave rue François Premier and the suite will revert to its usual role of Mr Séguin and Mr Pasqua's private offices.

The centre of Paris, usually peaceful on sunny Sundays, was packed with cars as Parisians drove back early from their weekends on the coast or in the country to cast their votes.

They returned to find the *Oui* and *Non* posters plastered along the main roads freshly defaced by graffiti and bright blue European community flags fluttering from the flagpoles of the grand hotels.

Back at the *mairie* of the fourth *arrondissement*, Ms Bertrand may have procrastinated all the way to the ballot box but her fellow voters seemed more decisive.

"I voted No," said Mr Didier Proffit, a 22-year-old advertising executive. "The French people haven't been given enough information about the Maastricht Treaty and we haven't had long enough to consider it. In any case it's a question of history. There are certain things the French should treasure, like our currency. Who could treasure the Ecu?"

Mr Guy Darouste, a 59-year-old engineer, disagreed. "The French should say Yes to Maastricht," he said. "Europe is the future and we have to secure that future for our young people. I voted Yes for my children and grandchildren."

"I voted Yes too," said his wife, Christiane.

"We've been married for nearly 40 years and the Maastricht Treaty is about the only political issue we've ever agreed on."

"Can you imagine the Europe of tomorrow, the Europe (our children) will be living in? They will be living in a Community which, while preserving the country which they love above all things, will have conquered another one: Europe, our Europe."

President Francois Mitterrand, September 3 1992.

"An attempt to create a European superstate out of the present nation states of the European Community would fuel nationalism and risk conflict. One of the main lessons of our times is that artificially created states, like Yugoslavia, or empires held together by communism, like the former Soviet Union, fall apart sometimes violently."

Baroness Thatcher, September 3, 1992.

"It (the Maastricht treaty) is the prelude to a federal, multinational super-state, a system that has failed everywhere in the world."

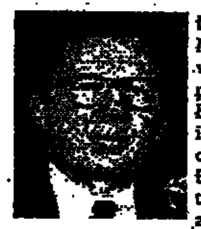
Philippe Seguin of France's neo-Gaullist RPR, leader of the No campaign, September 3 1992.

"There are moments of destiny for Europe, and this is one. The advice of a friend is: know how to seize the opportunity."

Chancellor Helmut Kohl of Germany, September 3 1992.

"Overall, the treaty is good for Britain and good for Europe. However, important as Maastricht is, we should not let this particular strand of European development blind us to the other issues before us."

John Major, UK prime minister, September 7 1992.



In the event of a No vote, "There would be a general panic, because France has made its mark on the construction of Europe ever since the beginning. And as far as I am concerned, the dream would have been shattered."

Jacques Delors, European Commission president, June 19 1992.

Turmoil alters Japan's view

By Charles Leadbeater in Tokyo

THE turmoil in Europe's foreign exchange markets last week, combined with uncertainty about European political union, could have a lasting impact on Japanese perceptions of the EC.

Japanese financiers, industrialists and policymakers have two main concerns.

The first is that the US dollar will soon be sucked into the turmoil. That would drag in the yen.

A depreciation of the dollar could put Japan on the spot. The Bank of Japan has set itself against further interest rate cuts unless they are needed to stimulate the domestic economy.

However, with the dollar falling, Japan could come under pressure to cut interest rates to help stabilise the US currency, according to Mr Yukio Yanbe, the DKB Research Institute's chief economist.

He said: "If the dollar weakens a wider adjustment will be necessary to prevent the dollar falling too far. Some Japanese monetary easing probably will be necessary if the French vote against Maastricht."

The second concern is about the shadow cast over prospects for 'European' integration. The last week could have marked a big shift in Japan's uncertain attitude towards the EC.

The Japanese are torn about European integration. They are impressed by the ambition of the project and attracted by the commercial opportunities.

Yet they also regard it with suspicion, as an economic fortress in the making. They distrust the grander political ambitions for a unified Europe which could foster protectionism and bureaucracy.

The last week is likely to have made the Japanese both more cautious and yet more confident in their approach to the EC.

The Japanese would be most alarmed by any signs of fragmentation within the EC as this could undermine the rationale for much of the costly manufacturing investment Japanese manufacturers have made in Europe to take advantage of the single market.

A two speed Europe, still committed to a form of integration, would be less worrying.

In the long run Japanese policymakers would probably welcome a slowing of the pace towards political and social integration in Europe.

Indeed in some quarters there is a thinly disguised air of satisfaction over the troubles besetting the treaty.

As the Asahi Shimbun put it in an editorial last week: "The treaty was a product of convoluted compromises for patching things up, hastily cobbled together by leaders of the EC. The concern at the grass roots is the price to be paid for such a jerry-built treaty."

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MAASTRICHT: THE ECONOMIC FALLOUT

GROUP OF SEVEN AND IMF MEETINGS IN WASHINGTON

Bonn throws full weight behind EMS

By Peter Norman in Washington

GERMANY said at the weekend it would do everything to maintain the European Monetary System in spite of last week's monetary chaos which left sterling and the lira suspended from the European Exchange Rate Mechanism.

Mr Theo Waigel, the finance minister, told a press conference after Saturday's Group of Seven meeting in Washington that the EMS was a "central component" for achieving price stability in Europe and moving towards economic and monetary union.

However, Mr Helmut Schlesinger, Bundesbank president, said it was open to question whether the rules of the ERM had been properly observed in the light of last week's massive intervention.

Mr Schlesinger disclosed that Germany bought DM60bn (£22.7bn) worth of foreign currencies during the crisis in the EMS, with intervention during one day amounting to DM35bn – mainly in support of the lira.

He was critical of the way in which ERM parities had been realigned and the way participation of the pound and lira had been suspended. Realignments were supposed to be carried out early and without a great public debate, he said. This was clearly not the case with last week's events.

Tensions in the system had been allowed to build up since the last significant realignment in 1987. For many of the other EMS countries realignment seemed to be a "dirty word", Mr Schlesinger added.

It remained to be seen what the effects of intervention would be on Germany's money supply. Some funds could flow back across the foreign exchanges, easing pressure.

While he said the Bundesbank's goal of maintaining price stability would be easier to achieve after the EMS changes, Mr Schlesinger – and Mr Waigel – made clear there would be no early cuts in German interest rates.

He said the discussion on German rates had one-sidedly focused on money market rates. Germany's long-term rates, which were crucial for investment decisions, were, at about 7.5 per cent, lower than elsewhere in Europe.

Cementing relationships: Norman Lamont (right), UK chancellor of the exchequer, greets Nicholas Brady, US Treasury secretary, as the chairman of the Federal Reserve, Alan Greenspan (centre), prepares for a meeting in Washington

Lamont launches charm offensive

By Peter Norman

AFTER the bad blood of the past week it was all sweetness and light between Britain and Germany in Washington this weekend. At Saturday's meeting of Group of Seven finance ministers, Mr Norman Lamont, UK chancellor of the exchequer, went out of his way to mend fences with Mr Theo Waigel, his German counterpart.

An indication of the looming charm offensive came early in the meeting when a UK Treasury spokesman briefed journalists, with a completely straight face, to the effect that Mr Lamont "was not in the business of telling Germany to cut its interest rates".

Later, in a post-G7 briefing, the chancellor said several times that his observations about the economic effects of German unification or the need for the UK and German economies to be better synchronised were not meant as a criticism of Germany.

For their part, Mr Waigel and Mr Helmut Schlesinger, the Bundesbank president, took the more conciliatory line with good grace. Mr Waigel disclosed that he and Mr Lamont had talked on several occasions over the day and agreed that their "good personal and political contacts" would be continued.

Before the meeting began Mr Waigel had commented on Britain's complaints of the past week. One-sided blame for what had happened did not help matters, Mr Waigel observed. He maintained that Germany had always taken a constructive approach to the problems of exchange markets and stuck to the rules of the European Monetary System.

Mr Schlesinger let slip the background to his recent fraught relations with the chancellor. He recalled that at the informal meeting of EC finance ministers in Bath earlier this month, Mr Lamont had pressed him four times to say he would cut rates. He had been obliged to answer four times that he could make no such commitment, when only once should have done.

Indicators to guide UK policy

By Peter Norman and Robert Peston in Washington

MR Norman Lamont, British chancellor of the exchequer, said the UK government intended to base its monetary policy on a range of financial indicators, following last week's suspension of British membership of the European Exchange Rate Mechanism.

He also made clear that among the conditions for Britain's return to the ERM was greater synchronisation of economic conditions between the UK and Germany.

In his speech to the International Monetary Fund's policy-making interim committee at the weekend, the chancellor said it was the goal of government policy to continue bearing down on inflation. "People must understand that low inflation is a pre-condition of sustained growth," he said.

Earlier Mr Lamont told journalists that British interest rates would in future be set in the light of a number of financial indicators. The UK's narrow money target of 0 to 4 per cent annual growth in M0 would remain.

The government would also monitor broad money, asset prices and, in particular, house prices and exchange rates. "No government can be indifferent to the level of the exchange rate," he added.

The chancellor declined to be drawn on whether an opportunity now existed to cut interest rates substantially, underlining instead the government's determination to reduce inflation. He said the government would "in due time" make clear the criteria for the different monetary aggregates. It was not considering giving independence to the Bank of England.

Mr Lamont laid down three conditions for sterling's return to the ERM.

The turmoil in the exchange markets should be over. The UK and German economies "should be more at the same stage of the cycle and have more convergent conditions and interest rates". The situation in Germany would also be taken into account when determining British policy.

He also said the government would "want to look at the co-operation and working of the Exchange Rate Mechanism". Although he refused to go into details, he said the UK wanted to examine some technical aspects of how the mechanism operated and of how co-operation and intervention worked.

In spite of a very public reconciliation between the chancellor and his German opposite number, Mr Theo Waigel, it is understood the chancellor continues to believe that sterling was undermined by unhelpful comments from Germany in recent weeks.

He said all participants at Saturday's Group of Seven meeting in Washington agreed the UK had done everything it could over the past week.

But circumstances were almost unique. "There was a fixed date when people thought there would be a realignment and gave them the opportunity to speculate against that date, creating intolerable pressure and huge currency flows."

When asked whether it would be days or months before Britain re-entered the ERM, Mr Lamont said it was "not a question of time. It's the conditions".

Earlier Mr Wim Duisenberg, the Dutch central bank governor, predicted that the UK would not return to the ERM for several weeks.

The following is a statement issued by the Group of Seven finance ministers and central bank governors:

THE ministers and governors reaffirm the commitment made by their heads of state and government at the Munich summit to strengthen world growth without rekindling inflation. Since then, measures to reinforce economic recovery have been taken, including interest rate reductions in a number of countries, as well as the recent announcement of the Japanese stimulus package. These measures will strengthen the global economic recovery and foster greater stability of exchange markets.

Ministers and governors expressed concern about the recent volatility in world financial markets. They agreed on the importance of restoring stable and long-lasting exchange rate relationships. The ministers and governors will continue to co-operate and to monitor closely economic and financial conditions in their countries and will take appropriate additional actions as needed to achieve sustained growth and greater currency stability.

The ministers and governors also met with representatives of the Russian federation and discussed Russia's reform programme. They urged Russia to intensify its efforts to implement comprehensive economic reform. They also urged the World Bank to form a technical assistance support group for Russia to discuss bilateral and multilateral technical assistance.

Euro-sceptics rush to seize high ground

BRITAIN'S so-called Euro-sceptics were last night on the offensive in the race to fill the policy vacuum left by last week's exchange rate turmoil, taking their lead from a belligerent Baroness Thatcher.

Their campaign to pressure Prime Minister John Major to adopt a more combative stance on European issues was given a substantial fillip by two polls showing a marked shift against the Maastricht treaty.

As the French went to the polls to give their verdict on the treaty, a survey in the Independent on Sunday newspaper showed a similar plebiscite in the UK would deliver a 47 per cent No vote and only 24 per cent would say Yes, with 29 per cent undecided.

Before last week's sterling crisis, opinion polls had shown narrow majorities in favour of the treaty.

Opposition is now shown to be strongest among Conservative voters, though the NOP poll and soundings taken by Mori for the Sunday Times indicate that majorities do not believe that Mr Major or Mr Norman Lamont, the chancellor of the exchequer, should resign as a result of the exchange rate debacle.

An increasing number of British MPs are calling for a more combative stance on Europe, writes Ivo Dawnay

The tide of public opinion was, nonetheless, clearly in the minds of senior Tory politicians yesterday as Mr Lamont sought in Washington to cool fears of a rapid return to the Exchange Rate Mechanism.

Conservative MPs in London, meanwhile, were absorbing the details of the polls and the impact of a blunt speech by the former prime minister in the US capital on Saturday.

Welcoming Britain's withdrawal from the ERM, Lady Thatcher urged Mr Major to press ahead with interest rate cuts and to drop his commitment to an eventual return to the system when conditions allow.

Pressing home her implicit criticism of the government's policy of seeking to be "at the heart of Europe", she argued there would be "chaos and resentment" if the government continued to pursue the goals of the Maastricht treaty.

"It is high time to make as complete a reversal of policy on Maastricht as has been done on the ERM," she said. "If the divergence between European economies is so great that even the ERM cannot contain them, how would they react to a single European currency?"

Evidence that Lady Thatcher may have struck a chord came in a Mori opinion poll published in the Sunday Telegraph.

It showed that 74 per cent of those Britons polled are discontent with the government's handling of the economy, two thirds back cuts in interest rates and 59 per cent believe the pound should be able to float indefinitely.

Only 19 per cent of the 1,013 adults questioned on Friday and Saturday supported the government's aim of returning to the ERM.

Last night Mr Lamont was returning to London from the Group of Seven meeting in Washington two days ahead of schedule to oversee the British response to the French referendum.

Yesterday, Lord Parkinson, a former Conservative chairman, added his voice to the growing lobby opposing a return to the ERM. Describing the currency system as "a dead duck", he conceded the recession had been deeper and more prolonged as a consequence of interest rates linked to those of the D-Mark.

But he added Mr Major and Mr Lamont should not be particularly vulnerable as the Labour and Liberal Democrat opposition parties had both adopted similar positions to those of the government.

Sir Teddy Taylor, the virulently anti-Maastricht Conservative MP for Southend, was more outspoken. He said that after the "costly and humiliating shambles" of last week it was absurd for the Tory party to be talking about returning to the ERM.

Other Conservative Euro-sceptics believe their numbers could be swelled by at least 100 when parliament returns for an emergency debate on the economy on Thursday.

Forced on to the defensive, the pro-Maastricht faction in the party – until last week a majority – has been slow to react to the rapidly unfolding events.

However, Mr Peter Temple-Morris, a Euro-enthusiast MP, underlined yesterday that the likely outcome of the break-up of the current ERM would be the creation of a two-speed Europe, with some countries pressing ahead with Germany towards a single currency.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

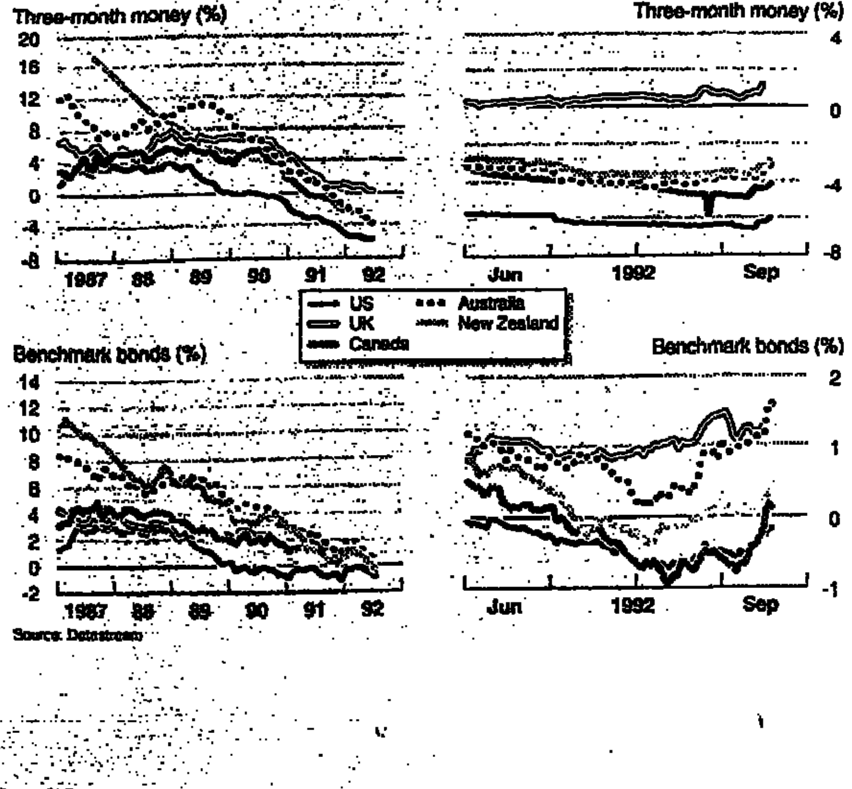
	US Narrow Money (M1)	US Broad Money (M2)	US Short Interest Rate	US Long Interest Rate	US Equity Market Yield	Japan Narrow Money (M1)	Japan Broad Money (M2+CDs)	Japan Short Interest Rate	Japan Long Interest Rate	Japan Equity Market Yield
1985	9.0	8.9	8.00	10.59	n.a.	5.0	8.4	6.62	6.51	n.a.
1986	13.5	8.3	6.49	7.67	3.43	6.9	8.7	5.12	5.35	0.84
1987	11.6	6.5	6.82	8.39	3.12	10.5	10.4	4.15	4.84	0.55
1988	4.3	5.2	7.65	8.84	3.61	8.4	11.2	4.42	4.77	0.54
1989	1.0	3.9	8.99	8.49	3.43	4.1	9.9	5.31	5.22	0.48
1990	3.7	5.3	8.06	8.54	3.80	2.6	11.7	7.62	6.91	0.65
1991	6.0	3.2	5.87	7.85	3.21	6.2	3.6	7.21	6.37	0.75
3rd qtr.1991	6.1	2.8	5.79	7.95	3.10	6.6	2.6	7.11	6.44	0.76
4th qtr.1991	8.0	2.8	5.00	7.34	3.09	8.5	2.2	6.11	5.68	0.76
1st qtr.1992	11.0	3.0	4.17	7.29	2.90	7.5	1.7	5.01	5.49	0.88
2nd qtr.1992	11.7	1.9	3.95	7.37	2.97	6.0	1.2	4.56	5.63	1.04
September 1991	6.0	2.4	5.58	7.66	3.06	6.4	2.2	6.64	6.18	0.76
October	7.1	2.5	5.34	7.52	3.09	7.5	2.1	6.30	5.96	0.72
November	8.2	2.9	4.98	7.41	3.09	9.3	2.4	6.09	5.96	0.75
December	8.7	3.0	4.67	7.08	3.06	8.8	2.0	5.94	5.72	0.81
January 1992	10.2	3.1	4.09	7.02	2.87	7.8	1.8	5.15	5.45	0.83
February	11.3	3.2	4.11	7.33	2.90	7.4	1.6	5.05	5.53	0.87
March	11.5	2.6	4.29	7.52	2.94	7.5	1.8	4.84	5.51	0.93
April	11.9	2.2	4.04	7.47	2.97	7.0	1.6	4.59	5.68	1.06
May	12.2	1.9	3.88	7.39	2.95	6.9	1.1	4.59	5.66	1.00
June	11.0	1.5	3.92	7.26	3.00	4.0	0.9	4.49	5.55	1.06
July	11.7	1.5	3.44	6.84	2.98	2.9	0.2	4.19	5.28	1.10
August	12.3	1.7	3.37	6.59	2.95	2.6	0.3	3.75	5.03	1.12

	Germany Narrow Money (M1)	Germany Broad Money (M3)	Germany Short Interest Rate	Germany Long Interest Rate	Germany Equity Market Yield	France Narrow Money (M1)	France Broad Money (M3)	France Short Interest Rate	France Long Interest Rate	France Equity Market Yield
1985	4.4	5.1	5.45	6.94	n.a.	6.2	7.4	10.03	11.74	n.a.
1986	9.9	8.3	4.64	5.90	1.79	6.9	6.8	7.79	8.74	2.65
1987	9.0	7.3	4.03	6.14	2.21	4.1	10.0	8.26	9.46	2.75
1988	9.8	6.4	4.34	6.46	2.61	4.0	8.6	7.94	9.06	3.69
1989	6.3	5.7	7.11	6.94	2.22	8.0	9.5	9.39	8.79	2.88
1990	4.5	4.5	8.49	8.71	2.11	3.8	9.0	10.32	9.92	3.19
1991	5.2	5.6	9.25	8.44	2.38	−4.6	2.7	9.62	9.03	3.58
3rd qtr.1991	5.3	5.8	9.24	8.52	2.31	−2.1	5.4	9.54	9.05	3.60
4th qtr.1991	4.2	5.6	9.47	8.29	2.45	−4.6	2.7	9.66	8.60	3.61
1st qtr.1992	4.3	6.6	9.62	7.91	2.31	−1.4	3.8	10.05	8.48	3.40
2nd qtr.1992	6.4	7.9	9.76	7.96	2.26	−0.9	4.7	10.04	8.66	3.39
September 1991	5.0	5.6	9.27	8.42	2.31	−2.1	5.4	9.43	8.88	3.47
October	4.8	5.3	9.36	8.31	2.41	−3.1	4.2	9.32	8.78	3.50
November	4.1	5.4	9.43	8.32	2.42	0.8	4.9	9.56	8.82	3.56
December	3.7	6.1	9.61	8.24	2.52	−4.6	2.7	10.10	8.81	3.77
January 1992	3.9	6.3	9.54	7.91	2.39	−2.4	3.8	9.99	8.40	3.49
February	4.1	6.5	9.61	7.88	2.30	−2.2	3.7	10.06	8.44	3.40
March	4.9	7.0	9.70	7.94	2.25	−1.4	3.8	10.12	8.58	3.31
April	7.0	7.5	9.75	7.94	2.26	−1.8	4.1	10.04	8.67	3.37
May	5.8	7.8	9.79	7.96	2.26	1.0	5.2	9.96	8.58	3.33
June	6.5	8.2	9.75	7.97	2.27	−0.9	4.7	10.11	8.73	3.47
July	5.5	8.3	9.78	8.01	2.37	−0.5	4.7	10.23	8.90	3.69
August			9.88	7.99	2.60			10.39	9.06	3.71

	Italy Narrow Money (M1)	Italy Broad Money (M2)	Italy Short Interest Rate	Italy Long Interest Rate	Italy Equity Market Yield	UK Narrow Money (M0)	UK Broad Money (M4)	UK Short Interest Rate	UK Long Interest Rate	UK Equity Market Yield
1985	13.2	13.5	14.34	13.71	n.a.	4.7	13.2	12.32	11.03	n.a.
1986	10.4	7.9	13.25	11.47	1.41	4.0	15.3	11.02	9.97	4.35
1987	10.4	9.8	11.32	10.58	1.94	4.7	14.6	9.77	9.52	3.60
1988	7.8	6.9	11.24	10.54	2.71	6.8	17.0	10.41	9.69	4.48
1989	7.4	8.4	12.41	11.61	2.46	5.9	17.7	13.96	10.30	4.36
1990	8.1	17.4	11.98	11.87	2.84	5.4	16.2	14.82	11.53	5.07
1991	7.3	8.0	11.83	13.20	3.45	2.4	8.3	11.58	10.04	4.97
3rd qtr.1991	7.0	7.7	11.60	13.29	3.31	2.0	7.2	10.82	9.97	4.60
4th qtr.1991	9.0	8.3	11.84	12.92	3.59	2.8	6.2	10.61	9.72	5.03
1st qtr.1992	8.8	8.1	12.04	12.65	3.40	2.2	6.0	10.61	9.50	5.00
2nd qtr.1992	9.9	9.3	12.58	12.82	3.43	2.0	5.4	10.28	9.21	4.78
1991 September	6.1	7.0	11.56	13.08	3.39	2.3	6.8	10.37	9.66	4.73
October	7.4	7.4	11.40	12.83	3.51	2.6	6.5	10.45	9.72	4.83
November	9.0	8.3	11.66	12.92	3.58	2.9	5.8	10.54	9.77	5.00
December	10.4	9.0	12.47	13.03	3.67	3.0	6.3	10.84	9.68	5.25
1992 January	11.1	9.4	11.97	12.71	3.37	2.1	6.3	10.71	9.49	5.00
February	8.0	7.5	12.04	12.82	3.31	2.2	5.9	10.44	9.34	4.94
March	7.3	7.2	12.10	12.59	3.49	2.2	5.8	10.67	9.66	5.04
April	9.7	9.1	12.24	12.71	3.51	2.3	5.7	10.68	9.41	4.91
May	9.3	9.0	12.24	12.60	3.45	2.5	5.2	10.13	9.06	4.61
June	10.5	9.8	13.23	13.14	3.34	1.3	5.3	10.03	9.15	4.82
July	7.3	7.8	15.36	13.65	3.78	2.4	5.7	10.21	9.08	5.15
August			15.27	13.71	3.94	2.4	5.5	10.43	9.37	5.33

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

Anglo-Saxon interest rate differentials with Germany



Source: Datastream

Pros and cons of a free-floating exchange rate

"Leave the ERM, cut interest rates and let the pound find its own level... it's the cut-and-run option. The credibility of our anti-inflationary strategy would be in tatters. And quite soon interest rates would have to go back up again – to much higher levels than they are today."

So argued Mr Norman Lamont, UK chancellor of the exchequer, in a speech to the European Policy Forum in July. "The ERM is not an optional extra, an add-on to be jettisoned at the first hint of trouble," he said. "It is and will remain at the very centre of our macroeconomic strategy."

The chancellor has already been proved half right. Last week's hasty departure from the European Exchange Rate Mechanism has certainly undermined the government's inflation-fighting credibility.

But was Mr Lamont also correct to argue that departure from the ERM would soon mean higher, not lower, interest rates to prevent a collapse in the pound and a surge of inflation? This was certainly the view of his Treasury speech-writers. "As inflation has come down, we have been able to cut interest rates nine times from 15 per cent to 10 per cent," he said. "I cannot believe we could have achieved all this outside the ERM."

It is easy to find evidence which contradicts the chancellor's assertions. All the Anglo-Saxon countries – Australia, Canada, New Zealand, the US and the UK – have faced similar problems of debilitating high levels of consumer and corporate debt and lingering recessions. But only the UK has been forced to keep its short-term interest rates above those in Germany. The others have cut their interest rates well below German rates over the past two years, as the upper charts show.

The difference is that these four non-European countries have all maintained floating exchange rates which enabled them to ease monetary policy aggressively as their economies slipped into recession. US short-term interest rates are now 6 percentage points below those in Germany. Rates in the other three countries are all at least 3 percentage points lower.

Yet these interest rate cuts have not resulted in a build-up of inflationary pressure, as the chancellor's argument implies. True, lower interest rates than those in Germany has led to a fall in each country's exchange rate relative to the D-Mark. The US dollar has depreciated by 20 per cent since the beginning of 1989, the smallest fall of the four. The Australian dollar has fallen by 35 per cent since then. But the inflation rate gap between all of the Anglo-Saxon countries and Germany has also fallen over the past two years.

Of course, inflation rates only chart the past. Long-term interest rates are a better measure of expected inflation. But the long-term interest rate differential of all four countries relative to Germany has also narrowed considerably since 1990, as the lower charts shows. Even Australia, a relatively small and open economy, has been able to sustain lower interest rates and a large depreciation without a surge in inflation, in part because of the depressed state of its domestic economy.

The Anglo-Saxon countries should beware of moving too far, too fast. Movements in long-term bond interest rates provide one warning signal of inflationary risks ahead. The sharp fall in the value of the US dollar against the D-Mark over the past month has been accompanied by a rise in US long rates relative to Germany. The same has occurred in all the Anglo-Saxon countries.

But there is no need for panic. Both US and Canadian long interest rates are still lower than those in Germany. All had a lower long interest rate differential than the UK at the beginning of last week, when sterling was still in the ERM.

Last week's decision to float sterling gives the UK government the opportunity to follow the Anglo-Saxon example and cut interest rates below those in Germany. Will the chancellor be willing to follow their lead? The consequences of doing so, he argued in July, "would be either higher interest rates, higher inflation, or most likely both". But the evidence suggests that he may be wrong on both counts.

Martin Wolf and Edward Balls

Sarajevo flights set to resume

By Judy Dempsey in Belgrade

THE United Nations High Commissioner on Refugees will ask international aid agencies and governments to resume the humanitarian relief effort to Sarajevo and other parts of Bosnia-Hercegovina later this week.

All flights to the Bosnian capital, which Serb forces have besieged since early April, were suspended after Croat forces shot down an Italian relief aircraft on September 3.

Western nations should have threatened to bomb Serbian military installations and supply lines if Serb forces did not stop attacking Bosnians and Croatians, Lady Thatcher, the former British prime minister, told a conference in Washington this weekend, George Graham reports.

The plans to resume flights follows agreement at the weekend in Geneva by the Serbs, Croats and forces loyal to the Bosnian government.

They agreed to make the airport secure for the airlift operations, to grant safe road passage for the delivery of humanitarian aid, to desist from disrupting electricity and water supplies to the civil population in all areas, and to ensure safe passage for convoys carrying released detainees.

But Mrs Sadako Ogata, the UNHCR's high commissioner, said: "The guarantees are not wholly satisfactory, and all the security risks for the airlift operation have not been eliminated."

Since the downing of the Italian aircraft, road convoys have also been attacked by Serb forces near Stup, a key strategic route which links the road from the airport to Sarajevo.

Despite the continuing fighting and the risks facing the convoys, Mrs Ogata said it was crucial that aid reached Sarajevo and other Bosnian cities before winter.

Even if Sarajevo airport is re-opened, it will not be able to receive flights every day throughout the winter because of heavy snow and the thick fog which regularly settles over the city after October.

Because of this prospect, the UNHCR convoys, backed by UN armoured patrols, will have the task of negotiating the opening of four road routes out of Croatia and Serbia into Bosnia.

Many of the main routes are controlled by gangs of Serb and Croat forces. Many are also impassable because they have been mined, or else bridges have been blown up.

It is the task of the UN to help repair these routes. But European Community diplomats in Belgrade yesterday conceded that 6,000 additional troops committed by Britain, France and other countries to assist the UNHCR's operations, would take several weeks to arrive.

● Mourners burying 12 war victims in Sarajevo scattered in terror yesterday when two mortar shells exploded 100 metres from graves dug in one of the city's main cemeteries, Reuter reports from Sarajevo.

Witnesses said scores of screaming people ran for cover and some jumped into open graves as shrapnel ricocheted round their heads.

The mortars hit a road between the Lion cemetery and the Kosevo hospital. The cemetery is always busy with the funerals of those killed in the daily shelling and sniper attacks.

Sarajevo mourners burying war victims yesterday flee a mortar attack on the city's Lion cemetery

Moscow faces bitter fight over economic legislation

By John Lloyd in Moscow

THE Russian government is to present a series of economic and constitutional acts to the next session of the Russian parliament, opening tomorrow.

The radical legislation, coupled with the worsening economic situation, is likely to provoke an open and bitter struggle between the different levels of state power, jeopardising the survival of economic reforms and fledgling democratic institutions.

Mr Yegor Gaidar, the acting prime minister, is expected to defend the government's record and demand that parliament support a return to fiscal and monetary discipline after a relaxation of controls. Mr Gaidar told the Interfax news agency at the end of last week that it was essential to "consolidate a proper financial and credit policy since further attempts to retreat [from it] would lead not to a revival of industrial production but to the destruction of the finance and credit system and of the national currency".

All key indicators have deteriorated sharply. The latest official figures show a budget deficit of Rbs950bn on a total budget of Rbs3,300bn; inflation is said by the government to be running at 20-25 per cent a month, and accelerating; and production is falling at an average of 20 per cent a year.

The state of the finances will make further credits from the International Monetary Fund – through a standby agreement on which negotiations restart shortly – difficult to achieve. However, few government officials now seem to believe in the possibility of substantial foreign aid.

However, President Boris Yeltsin is in an uncompromising mood, and will attempt to push a series of measures through a hostile parliament.

These include:

● A draft constitution, giving substantial powers to the president and enshrining his right to rule by decree. It is scheduled for introduction to parliament in about a month. The issue is likely to be the most contentious among parliamentarians anxious to preserve their powers, and may lead Mr Yeltsin to take it over their heads in a referendum.

● A law on the government, which is expected to give the president the right to appoint ministers, subject only to consultation with parliamentary committees. Parliament has insisted on retaining the right, which it voluntarily and temporarily suspended nearly a year ago, to veto ministerial appointments.

● A law on bankruptcy, which has so far been refused by parliament. Mr Yeltsin has issued a decree allowing companies to be declared bankrupt, but it has not been ratified and experts doubt it would survive legal challenge.

Mr Yeltsin, whose popularity has been slipping, has sought in recent weeks to build bridges with his opponents in parliament, chief among them Mr Ruslan Khasbulatov, the parliamentary speaker. However, Mr Khasbulatov continues to claim that parliament is on an equal footing with the presidency and government.

UN vote paves way for Serbia's expulsion

By Michael Littlejohns, UN Correspondent in New York

THE Security Council has rejected the claim of the Federation of Serbia and Montenegro to have succeeded to the seat of Yugoslavia in the United Nations – paving the way for the expulsion of its delegates.

If, as appears certain, the General Assembly endorses the recommendation, Belgrade would have to apply for admission to the UN as a new member. Croatia, Slovenia and Bosnia-Hercegovina, the other principal states of former Yugoslavia, have already obtained independent membership.

The council resolution was approved on Saturday by 12 votes to none with China, India and Zimbabwe abstaining after it was revised to take account of Russian reservations.

Britain, France and Belgium were the prime movers, following an EC foreign ministers' decision a week earlier. The US enthusiastically backed the proposal and yesterday Germany said it would ask the UN to take a hard line against rump Yugoslavia if it was forced to reapply for UN membership. Mr Klaus Kinkel, German foreign minister, said Serbia and Montenegro should be required to halt aggression against breakaway republics like Bosnia-Hercegovina before being admitted as new members.

However, senior UN officials believe the decision is ill advised since international efforts to end the Balkans civil war now under way in Geneva rely on Belgrade's co-operation. Officials fear that humiliating Serbia can only increase peace-making difficulties.

Mr Milan Panic, prime minister of Yugoslavia, is scheduled to address the General Assembly this Thursday. But that plan appears likely to be aborted by an assembly vote rejecting his delegation, perhaps as early as tomorrow.

If the Belgrade authorities decided to apply for separate membership, the US, Britain and France could be expected to exercise their veto powers at least until substantial progress was recorded in the Geneva talks.

E Europe steps up EC pressure

By Lionel Barber in Brussels

POLAND, Hungary and the Czech and Slovak Federation have stepped up pressure to become full members of the European Community through the submission of a "convergence" plan outlining how their economies could fit into the EC in the near future.

In a joint memorandum to the EC, the three former communist countries also warn that their reform efforts are at a crucial stage. The risks of inflation and unemployment are imposing "heavy costs" on their societies, according to the memo which urges more EC investment to spur reform.

At the UK's prompting, the EC has agreed to hold talks at foreign minister level with the so-called Visegrad countries in Luxembourg on October 5.

Estonians hold first free elections

By John Lloyd

THE Republic of Estonia, the smallest of the former Soviet republics, yesterday voted for a parliament and president in the first free elections in the country since before the second world war.

The 1.6m population had a choice among four candidates for the presidency, which will be a directly elective one only this time, and which is envisaged as having limited powers.

Two of the candidates – Mr Arnold Ruutel, the current and long-serving chairman of the Supreme Council, and Mr Rein Taagepera, a university professor who has spent much of his life in the US – are moderate nationalists. Both Mr Lennart Meri, the former foreign minister, and Mrs Lagle Parek, a former political prisoner, take a radical nationalist stance.

Mr Ruutel commanded a consistent lead in pre-election polls, in spite of his past as a senior communist.

However, the election has been made controversial by the exclusion of voting under the new citizenship rules of over a third of the electorate. The 660,000 eligible to vote all had to show that they were directly descended from pre-war Estonian citizens, a measure which excludes nearly all the Russians and other former Soviet nationalities who emigrated there after 1945.

Mr Nicolai Medvedev, head of the commission on Russian-Estonian relations, said in Moscow at the weekend that Russia was now concerned about a nationalist government trying to create a "mono-ethnic state" in Estonia.

The World Bank Must Withdraw Immediately from Sardar Sarovar

An Open Letter to Mr Lewis T. Preston, President of the World Bank

Patrick McCully

Tribal farmers whose homes will be inundated by the Sardar Sarovar dam project hold the water of the Narmada river in their cupped hands, as they vow never to leave their lands. Below, the partially completed dam structure.

Dear Mr Preston,

We write to you to demand that your bank stop funding the Sardar Sarovar Projects in western India. This giant dam, power and irrigation scheme would, if completed, create a reservoir more than 125 miles long and submerge the homes of over 100,000 people. It would be one of the worst human and environmental disasters the World Bank has ever financed.

During the recent monsoon, scores of tribal people and activists refused to move from the villages immediately behind the partially-built dam as the Narmada River rose to within three feet of the lowest house. Upstream, tens of thousands more villagers have vowed to drown rather than leave their homes.

The villagers' protests have been supported by growing numbers of environmentalists, scientists, engineers and human rights specialists. They believe that the project is environmentally, socially, technically and economically unsound. By 1991, the criticism had become so loud that your predecessor Barber Conable was forced to commission an Independent Review of Sardar Sarovar.

In June this year, the Independent Review — headed not by a human rights activist or an environmental campaigner, but by Mr Bradford Morse, ex-head of the UN Development Programme — concluded after 10 months of intensive research that:

"The Projects as they stand are flawed, resettlement and rehabilitation of all those displaced by the Projects is not possible under prevailing circumstances, and the environmental impacts of the Projects have not been properly considered or adequately addressed. Moreover, we believe that the Bank shares responsibility . . . for the situation."

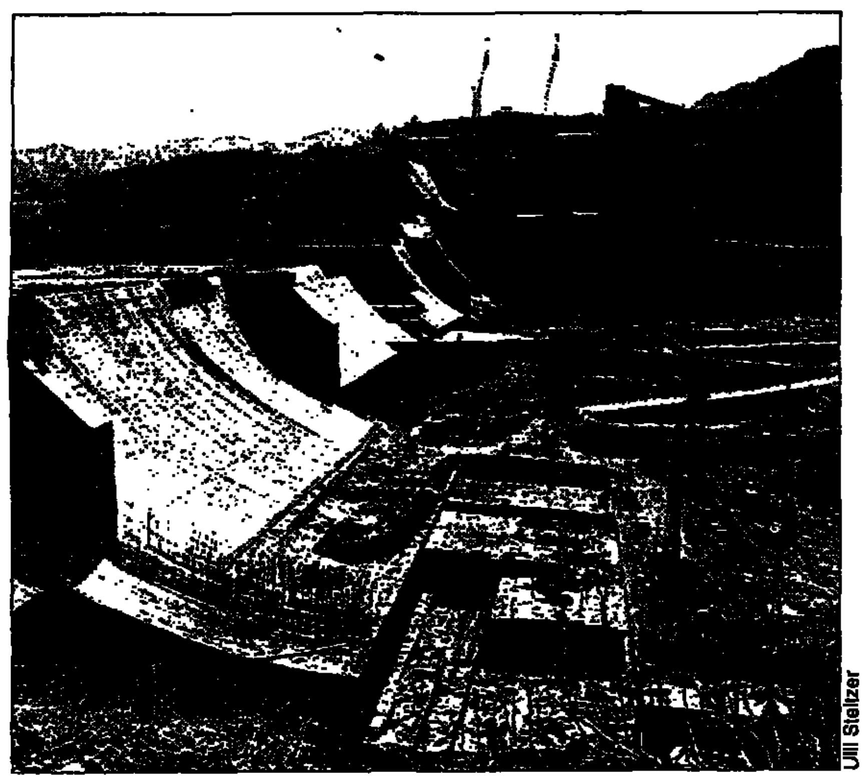
But your staff and management, in your name, Mr Preston, have contemptuously brushed aside the Independent Review's recommendation to *"step back from the Projects and consider them afresh"* and claim that continued Bank support is justified. Mr Preston, not only is continued Bank support for Sardar Sarovar totally unjustified, but so is continued public support for the Bank if you are to continue using taxpayers' money to fund this disastrous scheme. The Review explicitly states that *"little can be achieved while construction continues"*.

In 1985, when the World Bank approved the loans for Sardar Sarovar, *"no basis for designing, implementing, and assessing resettlement and rehabilitation was in place . . . no one knew the scale of displacement that would result . . . nor had the people [to be affected] been consulted."* The Independent Review adds that the Bank has disregarded the plight of 140,000 families who would be affected by the canals and irrigation system. Thirteen thousand of these families would lose all or most of their land. All this is a flagrant violation of the World Bank's own rules, which require a detailed study of resettlement before funding agreements are made.

Well over half of the tribal families whose lands would be submerged in the states of Madhya Pradesh and Maharashtra would not receive adequate replacement land. Yet the Independent Review says that such land is a minimum condition if these families are to *"regain at least their previous standard of living"*, as required by the Bank's own rules for resettlement.

Nor is replacement land enough. Families who have been shifted to the plains of the state of Gujarat complain bitterly of infertile or stony fields, inadequate water supplies, a lack of fuelwood and fodder, and the "temporary" tin sheds in which many have had to live for years.

The forcible resettlement of the tribal people of the Narmada Valley means they have to leave forests that have for generations provided food, fodder, fuel, medicines and building materials. It means they have to leave a river which is, to them, not only a source of fish and clean water, but a "mother", a living being of immense spiritual importance. It means the breaking up of communities and even families between different resettlement sites. People who had been resettled in Gujarat told the Independent Review: *"Our society is not here. We are like dead people. What is the point of living like dead people?"*



Ulli Stelzer

The Bank failed to study the environmental impact of the Projects before signing the loan agreements. No calculation was made of the costs of flooding tens of thousands of acres of forests and farmland or of destroying productive fisheries. An *"environmental workplan"* required by the Bank's 1985 agreements has never been completed. In the judgement of the Independent Review your staff are guilty of *"gross delinquency in the handling of environmental matters."*

The loan agreements called for measures to minimise the risks of water-related diseases. Yet the Independent Review states there were no safeguards to prevent the spread of malaria near the dam site. It quotes a consultant's report which says that drainage works were conducted so carelessly that they amount to *"taking malaria to the doorsteps of villagers"*. Another consultant says that if schistosomiasis were to get a foothold, people *"would either have to avoid exposure to the reservoirs and irrigation water for all time, which is practically impossible . . . or most of the people in the areas would be subject to schistosomiasis from childhood onward."*

According to the Independent Review: *"Important assumptions upon which the Projects are based are now questionable or known to be unfounded . . . assertions have been substituted for analysis."* The Review reveals how Bank staff and project authorities have overestimated the amount of water the scheme would make available. They have exaggerated the area suitable for irrigation. They have inflated the numbers of people who can expect drinking water from the scheme. And they have fudged power-generation projections and estimates of how long the dam can operate before silting up.

The Independent Review points out that opposition to the projects is running so high that Indian and World Bank officials are *not even able to visit* most of the villages slated for submergence. *"So long as this hostility endures,"* the Review says, *"progress will be impossible except as a result of unacceptable means."*

Are you, Mr Preston, prepared to take the responsibility for these *"unacceptable means"*? Already in the Narmada Valley, those opposing Sardar Sarovar have been subjected to *"arbitrary arrest, illegal detention, beatings and other forms of physical abuse."* According to human rights group Asia Watch, these abuses *"appear to be part of an increasingly repressive campaign by the state governments involved to prevent [anti-dam] groups from organizing support."*

If you and your staff continue to disregard the Independent Review, Mr Preston, it will confirm that the Bank is beyond reform. Alternatives to the Projects exist and the dam is by no means a *fait accompli*. The publication of the Independent Review provides a historic opportunity for the Bank to withdraw from Sardar Sarovar; if you do not do so we will call upon NGOs and activists to put their weight behind a campaign to cut off funding to the Bank.

Our immediate priority will be to urge taxpayers, donor governments and NGOs to oppose the $18 billion replenishment of the International Development Association, the division of the World Bank which gives concessional loans to low income countries. We can no longer tolerate public money being used to ruin the lives of people you are supposed to help.

Yours sincerely,

India: Narmada Bachao Andolan (representing 100 organizations), Narmada Sagar Virodhi Sangharsh, Bargi Bandh Visthapit Sangharsh Samiti, Bharat Jan Andolan, Bombay Sarvodaya Mandal, Campaign for Human Rights Maharashtra, Chhattisgarh Mukti Morcha, Development Coordination Network Committee, Gandhi Bhavan Bhopal, Gram Vikas Mohuda, EKTA, India National Trust for Art and Cultural Heritage, Lok Adikar Sangh, Lok Jagrin Kendra, MARG New Delhi, National Campaign for Housing Rights, Research Foundation for Science and Ecology, Sanctuary Asia, Satyashodh and Vikalp, Society for Participatory Research in Asia, The Action Research Bureau, The Goa Foundation, UPVAN Lucknow, Vikas Bharati Bishunpur, Youth for Unity and Voluntary Action, YUVA Bombay

South and South-East Asia: Asia Pacific People's Environment Network, Consumers Association of Penang, Environmental Protection Society Malaysia, Just World Trust, Malayan Nature Society, Muslim Youth Movement, Aliran Kesedaran Negara, National Union of Malaysian Muslim Students, Sahabat Alam Malaysia, World Rainforest Movement, Third World Network (MALAYSIA) • Agency for Community Educational Services Foundation Inc., Bubi Ecumenical Development Association, Caceres Social Action Foundation Inc., Caucus of Development NGO Networks, CENDHRRA, Center for Agrarian Transformation, Center for Community Services, Center for Rural Education and Development Inc., Forum for Rural Concerns, Green Forum Philippines, Chito Foundation, CONVERGENCE for Community-Centered Area Development, Hublag-Evelio, KAANIB, KAHAYAG, Kasama, Labrador, Langkuman Women's Collective for Action, Manabo Development Foundation Inc., MASS-SPECC, Mother Rosa Memorial Foundation, Muslim Christian Agency for Rural Development Inc., OTRADEV, Pagtamayayong, Philippine Association for Intercultural Development, PHILDHRRA, Philippine Peasant Institute, Philippine Rural Reconstruction Movement, Sariling Sikap Inc., Social Development Index Inc., Surian ng Reporma sa Lupaan, Visayas Cooperative Development Center Inc. (PHILIPPINES) • Ceylon Social Institute, Environmental Foundation Limited, Integrated Environmental Organization, Justice and Peace Secretariat, Organization to Safeguard Life and the Environment, Sri Lanka Association of Agricultural Economics, Sri Lanka Environmental Journalist Forum, Sri Lanka Environment Congress (SRI LANKA) • Appropriate Technology Association, Arts and Environment Conservation Association, Asian Cultural Forum on Development, Coalition for Peace and Development, Committee of Natural Resources and Environment Clubs in 16 Universities, Coordinating Committee for Primary Health Care NGOs (network of 17 NGOs), Coordinating Committee of Thai NGOs on Human Rights (network of 11 NGOs), Creative Media Foundation, Friends of Women Foundation, Green World Foundation, Komol Keemthong Foundation, Local Development Foundation, Marine Science Association of Thailand, Media Centre for Development, NGO-Coordinating Committee on Rural Development (network of 220 NGOs), Northern Development Workers Association, Project for Ecological Recovery, Rural Reconstruction Alumni and Friends Association, Siam Environment Club, Thai Development Support Committee, Thai Environment and Community Development Association, Thailand Environment Resource Centre Foundation, Thai Volunteer Service, Union for Civil Liberty, Wildlife Fund Thailand under Patronage of His Majesty the King (THAILAND)

South and Central America: Amigos de la Tierra, Fundación para la Acción Comunitaria (ARGENTINA) • Unitas (representing 92 separate organizations) (BOLIVIA) • Amazon NGO Working Group (coalition of 150 NGOs and community groups from the Amazon region), Anthropology and Environment Institute, Associação Pernambucana de Defensa de Natureza, Federação de Organos para Assistencia Social e Educacional, Instituto de Antropologia e Meio Ambiente (BRAZIL) • Servicio Paz y Justicia en América Latina, Servicio Paz y Justicia (ECUADOR) • Centro Salvadoreño de Tecnologia Apropiada, Asociación Nacional Indigena Salvadoreña (EL SALVADOR) • Alter Vida, Servicio para la Justicia Ecológica (PARAGUAY) • Centro Interdisciplinario de Estudios sobre el Desarrollo, Instituto del Tercer Mundo, Latin American Centre of Social Ecology, Red de Ecologia Social/Amigos de la Tierra (URUGUAY) • Federación de Organizaciónes y Juntas Ambientalistas (representing 48 environmental NGOs) (VENEZUELA)

Africa: Kalahari Conservation Society (BOTSWANA) • Econews Africa, Kenya Consumers' Organization, (KENYA) • Wildlife Society of Malawi (MALAWI) • Southern Africa Non-Governmental Development Organizations Network representing 30 NGOs in Zambia, Zimbabwe, South Africa, Mozambique and Namibia (ZIMBABWE)

Pacific: AID/Watch, Australian Conservation Foundation, Friends of the Earth Australia, Greenpeace Australia, North/South Committee, Rainforest Information Centre, Sydney Rainforest Action Group (AUSTRALIA) • Asia-Pacific Resource Center, Friends of the Earth Japan, Japan Tropical Forest Network, ODA Study Group, Survival Okayama (JAPAN) • Korean Anti-Pollution Movement (KOREA)

North America: Cultural Survival Canada, New Brunswick Environment and Development Working Group, Pollution Probe, Probe International (CANADA) • Bank Information Center, Center for International Environmental Law, Development Group for Alternative Policies, Environmental Defense Fund, FOE US, International Rivers Network, National Wildlife Federation, Rainforest Action Network (USA)

Europe: Ecology Institute, FOE Austria, Global 2000, Greenpeace Austria (AUSTRIA) • Commission for Justice and Peace, KWIA, Flemish Working Group on India, Youth Association for Nature Education and Environmental Protection (BELGIUM) • Antiwar Campaign Croatia, Ecological Society Durdevac, Green Action Zagreb, Green Movement Orahovica (CROATIA) • Danish Association for International Co-operation, Danish Environmental Education Association, International Forum, IWGIA, Kulu, OVE, SIMU Internatinal Working Group, (DENMARK) • Earthwatch (EIRE) • Agir Ici, Collectif Environnement à Dimension Internationale, Ecoropa, Fédération Nationale des Artisans du Monde, Frère des Hommes, SOS Loire Vivante (FRANCE) • Artists for Peace, Coalition for Conservation and Development, The Finnish Association for Nature Conservation, The Swallows of Finland, Technology Professionals for Life (FINLAND) • Action for World Solidarity, ANPED, Artists United for Nature, Bread for the World, BUND Youth, Food First International Action and Information Network, German Institute for International Relations, Pro Regenwald, Rainforest Campaign 92, Robin Wood, Society for Threatened People, South Asia Bureau, Urgewald, e.V., WEED (GERMANY) • Campagna Nord/Sud, FOE Italy, Lega per L'Ambiente (ITALY) • Association for North South Campaign, Both Ends, Foundation for Nature and Environment, Foundation Hivos, FOE The Netherlands, FOE International, Greenpeace International, India Committee of the Netherlands, Netherlands Committee for IUCN, SOMO, WISE, X minus Y (THE NETHERLANDS) • Association for International Water and Forest Studies, The Future in Our Hands, Nature and Youth (NORWAY) • Centre for Human Ecology, Isle of Eigg Trust, FOE Scotland, Reforesting Scotland (SCOTLAND) • Amigos de los Indios, Asociación Ecologista de Defensa de la Naturaleza, Asociación Pro Derechos Humanos de España, FOE Spain, Información Sobre Movimientos Populares de America Latina (SPAIN) • The Environment Federation, Fourth World Association, Swedish Youth Association for Nature Studies and Protection, The Swallows Third World Association (SWEDEN) • Berne Declaration, Swissaid, Swiss Aid Agencies Coalition (SWITZERLAND) • Bristol Rainforest Group, The Ecologist, Ecoropa UK, Environmental Investigation Agency, FOE England Wales and Northern Ireland, Gaia Foundation, Green Party, London Rainforest Action Network, Medical Action for Global Security, New Economics Limited, Reforest the Earth, Soil Association, SOS Siberut, Survival International, TAPOL, Third World First, Tunbridge Wells Green Party, Walk for the Earth UK, World Society for the Protection of Animals, World Wide Fund For Nature UK (UK)

Total: 250 named groups from 37 countries, representing another 676 groups.

Back on your screen: Perot II

Now showing on **Jurek Martin's** television, The Return of the Non-Candidate

IT WAS as if he had never gone away. Last Friday Ross Perot was on breakfast television, public television and late-night television and, for good measure, he threw in an interview with the Washington Post.

But at the end of the day, as in the springtime of his non-candidacy for the presidency, it was not easy to work out what the little billionaire from Texas was actually threatening to do.

On Friday, he was registered as a presidential candidate in Arizona, which means his name will appear on the ballot in all 50 states on November 3. Even though he announced in July that he would not run, some public opinion polls continue to track his popularity and demonstrate that he could still be a factor, though never a winner, 45 days from now.

The latest Washington Post poll, for example, gave him 15 per cent (against 45 per cent for Mr Bill Clinton and 31 per cent for President George Bush) in a hypothetical three-way race. Most pundits think that unless he formally declares he will get much less than that, but could still swing the outcome in such states as his native Texas.

The bottom line of his Friday round appeared to be his continued concern that neither Mr Clinton nor Mr Bush was yet seriously addressing the problem of reducing the budget deficit and the national debt. His solution, he repeatedly said, had been outlined in his recent paperback book, which is indeed a best-seller now though his inability to provide such a blueprint while still thinking of running was widely criticised.

The only way, he said, to get his views across was to buy television advertising time. But he had been told by the big networks that this would only be possible if he became a presidential candidate. "I may be the only guy in history," he said with typical hyperbole, "that had to declare he was a candidate so he could buy TV time."

Pressed by interviewers to say if this meant he was getting back into the race, Mr Perot fell back on the familiar line that that decision was up to his "volunteers". His movement, he kept saying, was "bottoms up" not "top down", as in the two main parties, and he poured scorn on questioners who failed to understand his mystical rapport with ordinary citizens.

His movement is indeed showing signs of life, though many volunteers felt left in the lurch when he abruptly pulled out in the middle of the Democratic convention in July. He claimed then that his presence on the ballot would only ensure a deadlocked election and that the Democratic party seemed "revitalised". These reasons he now glosses over, though more than a suspicion persists that he retains contempt for Mr Bush.

Whatever his ultimate plans, if he even knows them, there is little doubt that Mr Perot has felt liberated by no longer being subject to conventional political advice and scrutiny. His formidable ego and yearning for the limelight have been restored by the uncritical and unfiltered flattery of "the volunteers", who really do seem to believe that only he can save the nation from perdition."

But published post mortems of his abortive earlier effort have revealed potentially damaging information should he re-engage. A devastating article in Vanity Fair magazine, for which an important source was Mr Ed Rollins, the Republican political consultant hired by Mr Perot, paints a generally scary picture of a wilfully ignorant autocrat consumed by conspiracy theories and almost paranoid about security.

It also contains two specific allegations: that Mr Perot ordered a private investigation of his daughter's relationship with a university professor who happened to be Jewish, and that he had sanctioned the immediate firing of an employee with the HIV virus. Mr Perot scathingly dismissed both charges as the worst examples of tabloid journalism and could barely mention Mr Rollins's name without spitting.

US probes Jordan embargo claims

By Alan Friedman in New York

THE Bush administration is investigating reports that Jordanian trading companies are continuing to violate the United Nations embargo on Iraq by shipping militarily useful goods across the Jordan-Iraq border to Baghdad.

Investigators in Washington say the Jordanian companies – including two previously identified as part of Iraq's military procurement network – are believed to be sending stocks of small arms ammunition, artillery rounds and spare parts for the Iraqi military.

The goods are being bought in eastern Europe, shipped to Jordan and transferred overland from Amman, according to one US official.

Included in the shipments are artillery rounds for a wide-range of mostly Soviet-made howitzers, long-range guns, mortars and heavy anti-air guns.

Also being shipped, according to US intelligence reports, are small arms ammunition in various calibres that can be used for machine guns, anti-aircraft guns, sub-machine guns, side arms and rifles.

At least two US government agencies are also examining allegations that some of the Jordanian trading companies may be financing the shipments with loans from the Bahrain-based Gulf International Bank (GIB).

GIB, in which Iraq formerly held a 10 per cent equity stake, was a prime commercial lender to Iraq before the August 1990 invasion of Kuwait by Mr Saddam Hussein.

Since 1990 the bank, which is owned by the governments of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates, has restructured its capital and and distanced itself from Iraq.

The US investigators say they have no reason to suspect that GIB is aware that its loans to Jordanian trading companies may be being used to violate UN sanctions.

On Friday a GIB official said: "To the best of GIB's knowledge it has had no dealings with Jordanian-based companies with regard to any goods of military value to Iraq."

● The US Department of Justice has taken the unusual step of making public a letter from the Central Intelligence Agency (CIA) that denies any involvement by the CIA in the making of more than $5bn of illegal Iraqi loans by the Atlanta, Georgia branch of Italy's Banca Nazionale del Lavoro (BNL).

The release of the letter, a copy of which was sent to BNL prosecutors in Atlanta last week, appears to be an attempt by the Bush administration to deflect allegations that it hid information about the BNL case.

The CIA letter also seeks to counter a disclosure last week in Congress that senior officials of BNL in Rome were aware of and approved the BNL operations.

Lawyers for Mr Christopher Drogoul, the former BNL Atlanta branch manager, last week asked a US court to allow them to withdraw Mr Drogoul's earlier guilty plea and approve a full-scale trial, partly on the grounds that Mr Drogoul was in contact with US intelligence officials and had in any case been given approval for the Iraqi loans by BNL's head office in Rome.

BNL's Rome office has denied it was involved in the Atlanta scheme.

A Somali child watches the first food aid to reach the village of Hobishoole. Looting has meant that aid is only now starting to reach some of the isolated areas of central Somalia. UN World Food Programme chief Catherine Bertini flew in yesterday to meet relief agencies that will distribute a promised 100,000 tonnes of extra WFP food before the end of the year.

The start of a US airlift of 440 armed United Nations guards to the Somali capital has been delayed for 24 hours, officials said yesterday. A US diplomat in Mogadishu said reasons for the delay were not clear but preparations for the elaborate operation might not have been completed.

US air force aircraft are to make 21 flights into Mogadishu over the next week to bring in the Pakistani "blue helmets". A vanguard of 60 troops arrived last week and have set up camp on the edge of the derelict airport as part of an operation to stop bandits plundering relief supplies.

Five-party Thai coalition formed

By Victor Mallet in Bangkok

THAI politicians at the weekend forged a five-party coalition that is preparing to form a government and name Mr Chuan Leekpai, leader of the Democrat party, prime minister after the king opens parliament today.

The coalition includes the four "angel" parties opposed to military involvement in politics and business – the Democrats, Palang Dharma (Moral Force), the New Aspiration party, and Solidarity – and the Social Action party (SAP).

The SAP was part of a short-lived coalition favouring the armed forces during the political crisis in May when troops killed at least 50 pro-democracy demonstrators on the streets of Bangkok.

The five parties have 207 seats in the 360-seat House of Representatives, but the coalition is still likely to be fragile.

Democrat MPs are concerned that the NAP will be wooed away by the pro-military parties, and at what they see as the unpredictable ambitions of Mr Chamlong, the devout Buddhist Palang Dharma leader who led the street protests.

Mr Chuan's Democrat party won the most seats in the general election a week ago, and Democrat members of parliament said yesterday they would choose the ministers of finance, agriculture and industry and the prime minister.

The Palang Dharma party is expected to name the new ministers of foreign affairs and transport and communications.

Mr Chamlong's party was given the transport and communications portfolio – a source of corrupt earnings from commission payments in previous administrations – because of his reputation as an anti-corruption campaigner.

On the foreign policy side, Palang Dharma is expected to reduce Thailand's support for the Khmer Rouge in Cambodia and Burma's military junta.

No intervention, UN chief insists

By Robert Mauthner in New York

MR Boutros Boutros Ghali, United Nations secretary-general, said at the weekend that there was no question of the UN intervening unasked in conflicts, unless they were the result of an aggression by one country against another.

He told the Financial Times he rejected the growing view that the UN should be allowed to intervene in some internal conflicts without the consent of all the participants, if the threat to peace and security was particularly serious.

"Like it or not, that is the reality," he said. "Unless all the protagonists in an internal dispute ask for our intervention, we will not intervene, except in the case of an aggression."

He particularly lamented the fact that the UN could do nothing to help the Middle East peace process because Israel was opposed to such a step. He said he had offered his services to Israeli premier Yitzhak Rabin, and his predecessor Yitzhak Shamir.

"They said okay, we'll think about it, but they have not given their agreement. I'm doing my best to persuade them that it's in their own interests, but I cannot impose myself or the UN if they don't want to have us. That is one of the basic rules of our organisation."

Referring to the recent decision to send more UN peace-keeping troops to Yugoslavia to ensure the delivery of international humanitarian aid, Mr Boutros Ghali said reports that the rules of engagement had been modified to enable the UN troops to use their arms if they were impeded from carrying out their task, were incorrect.

"A new Security Council resolution would be needed to allow them to use their arms in any other circumstances."

Monday interview, Back Page, Second Section

Lonrho chief optimistic after a week of shuttle diplomacy

Sudan ceasefire 'very soon'

By Julian Ozanne in Nairobi

A CEASEFIRE in Sudan's civil war will be negotiated "very soon", Mr Tiny Rowland, chief executive of the international conglomerate Lonrho, said yesterday.

Mr Rowland, in an interview, described a hectic week of shuttle diplomacy, during which his Gulfstream company jet has taken him from a further round of Mozambique peace talks in Botswana to southern Sudan for lunch with rebel leader John Garang.

Mr Rowland, whose company has investments in Sudan and Mozambique, was speaking in Nairobi before flying to Khartoum for a private meeting with President Omar Hassan Ahmed el Bashir, the country's military leader.

Mr Rowland disclosed that he and Mr Mark Too, deputy chairman of Lonrho East Africa, flew into southern Sudan last Thursday for talks with Mr Garang, leader of the rebel Sudan People's Liberation Army (SPLA). He had left with a message from Mr Garang to President Bashir, and expected his efforts to result in the first face to face meeting between the two sides.

Rowland: hectic week

This would "very soon" lead to a ceasefire in the conflict which has cost hundreds of thousands of lives: "I have been at this for eight years and this one is going to be settled soon," said Mr Rowland.

He and Mr Too plan to return from Khartoum to Nairobi today and fly back into southern Sudan for further talks with Mr Garang and Mr Iam Akol, the leader of a second rebel faction.

Mr Rowland, who has assumed the mantle of broker in two of Africa's most devastating civil wars, was also optimistic about last month's peace agreement between the Mozambique government and Renamo rebel movement. It was "absolutely solid", he said.

The first stage of the peace accord was signed at a ceremony in Rome last month, attended by Mr Rowland. He has continued to act behind the scenes, and his arrival in Nairobi on Saturday night followed his participation at a meeting between Mozambique's President Joaquim Chissano and Renamo leader Alfonso Dhlakama in Gaberone, capital of Botswana.

The meeting has resolved the last remaining obstacles to a ceasefire – the formation of a national army composed of both Renamo and government troops, and the role of the intelligence service during the transition to multi-party elections next year.

Mr Uluzu said the two sides agreed to restructure the intelligence service and police force and put them under UN supervision during the transition.

Mr Rowland said a formal ceasefire agreement would be signed on October 1 in either Gaberone or Harare.

East's pollution 'threat to Germany's targets'

By Bronwen Maddox, Environment Correspondent

THE former East German states are a huge obstacle to German environmental plans, according to Mr Klaus Töpfer, environmental minister.

He told the Financial Times Germany had "a hell of a job" to meet environmental targets on reducing the emission of carbon gases announced by Chancellor Helmut Kohl at the Earth Summit in Rio in June.

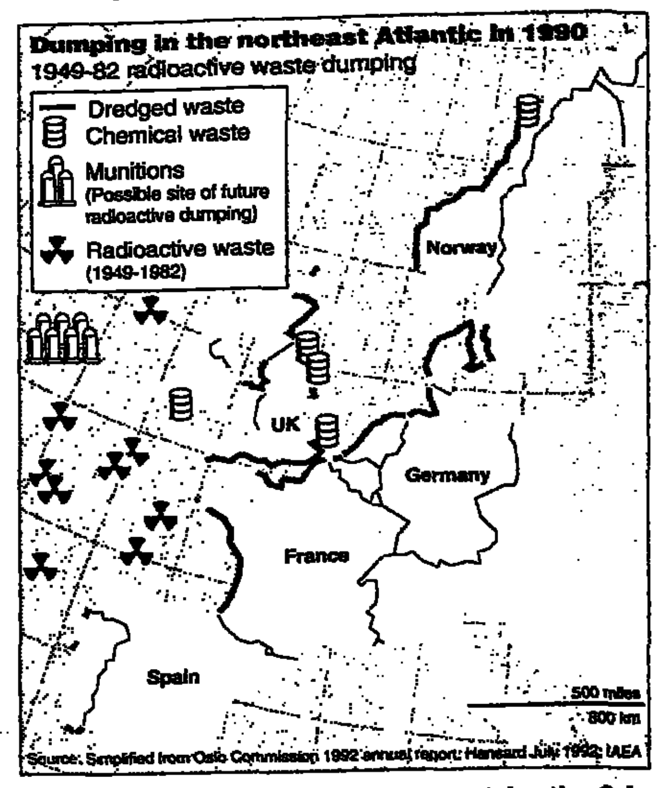
He said a carbon tax to help cut those emissions "is absolutely necessary – and very soon. Germany cannot meet the targets without it." Germany has said that it plans to cut emission of carbon dioxide by 25-30 per cent by 2005 compared to 1987 levels.

However, he admitted that "the German government's position is in favour of a tax, but parts of German business are against it".

East Germany was emitting roughly twice as much carbon dioxide per head of population as the west, because of its use of lignite fuel. He also expected the number of cars in the former east Germany to double to the west's level of one car for every two people.

Mr Töpfer added that he supported the plans of the UK environment minister, Mr Michael Howard, for more vigorous enforcement of EC environmental policy but that the methods chosen could still pose problems for German federal structure.

"We would have a problem with a central green police," he said. However he added that enforcement "is vital for the credibility of the community and for environmental department".



This map, compiled from a new report by the Oslo Commission on waste dumping in the Atlantic, shows that the UK, Ireland and Norway were the only three countries to dump chemical waste off their coasts in 1990.

In addition, it shows that most Atlantic countries follow the practice of dumping sediment dredged from the bottom of rivers and estuaries off their coasts.

Greenpeace environmental group says: "Dredged waste is often more highly contaminated than industrial discharges as it is made up of sediments from years back."

However the 1990 figures show a sharp reduction in dumping of industrial waste since 1986 – the date of the previous report. The UK, the only country still dumping industrial waste, has said it will stop this year.

At today's meeting in Paris, ministers from 12 countries bordering the northeast Atlantic will try to merge two conventions into a new treaty – the 1972 Oslo convention on sea dumping and the 1974 Paris convention on discharging waste to the sea.

Taipei tightens China links

By Angus Foster in Taipei

TAIWAN has approved a series of measures to increase ties with mainland China, but these are likely to be criticised by the island's business leaders as too cautious.

Following a two-day government conference organised by Taiwan's Mainland Affairs Council, which oversees relations with China, the measures will now go to Taiwan's cabinet and are expected to be quickly approved.

Under the proposals, Taiwanese banks will be allowed for the first time to deal with Chinese banks, but only through overseas offices. Taiwanese financial institutions will also be allowed to conduct certain transactions with the branches of foreign banks in China. Taiwanese businessmen will be allowed to remit money from China to Taiwan, and Taiwan has further relaxed its rules on imports from the mainland.

The moves are the latest step in Taiwan's gradual programme to increase ties with China. But Taiwan again refused demands from business that direct shipping and air links be established. Taiwan's bans on direct trade, transport and postal links, known as the "three tongs", are seen as important negotiating tools to try to force China to renounce its threat to use force against Taiwan.

Taiwanese companies have invested about $3.6bn (£2bn) in China since they were first allowed to set up operations, via third countries, in 1987. Processing and labour-intensive industries have moved to China to avoid high wage and land costs on the island. So far few big companies have invested in the mainland, but most analysts agree investment would increase sharply if direct ties were established. Taiwan's government fears this could undermine the island's economy.

Mr Lin Yu-siang, a legislator opposed to closer Chinese ties at this stage, said direct links could lead "most Taiwanese factories" to move to China. "This is a security issue and would lead to serious unemployment," he said.

NZ votes for poll reform

By Terry Hall in Wellington

NEW Zealanders have voted overwhelmingly to reject the first-past-the-post election system which the country inherited from Britain.

In a national referendum at the weekend, only 15 per cent voted to keep the system, where the winning party usually gains a larger number of seats in parliament than its share of the vote. The majority, 70 per cent, voted in favour of mixed member proportional (MMP), a system used in Germany. The remaining 15 per cent of voters favoured the other options put forward: supplementary member, single transferable vote, and preferential vote.

Most politicians from the two main parties, led by prime minister Jim Bolger, warned that any system apart from first-past-the-post would lead to unstable government. However, it is widely believed that the strong vote for change is a public condemnation of both parties for not honouring election promises.

A second referendum will be held at next year's general election, giving voters two options: first – past – the – post or MMP. The prime minister has also hinted that the referendum will ask people to vote on the re-establishment of an upper house of parilament.

Any change in the electoral system will not occur till the following general elections, probably in 1996. The government will now decide the precise structure of the MMP system to be put to the vote next year. However critics say this task should be left to the Royal Commission which recommended the MMP system in 1986.

Leaders of minor parties, who have been lobbying in favour of MMP, contend that the government and the opposition will use the coming months to come up with an unattractive form of MMP.

NEWS IN BRIEF

Austerity programme unveiled by Algeria

ALGERIA'S new government promised austerity and more taxes but offered incentives to foreign investors in an ambitious plan to achieve a market economy and end violence, Reuter reports from Algiers. It warned "rigorous austerity, drastically reducing the need to import" was coming.

The rich will be taxed more on income, with a separate tax on assets; tax breaks will go to innovative companies replacing imported goods, and competing imports will be banned.

A "vast field of activities" will open for local and foreign investors with incentives, including favourable exchange rates for investment by Algerians living abroad and by foreigners.

At the heart of the crisis lie repayments and servicing of a $26bn (£14.6bn) foreign debt, which takes 70 per cent of the $12bn earned each year from oil and gas exports.

Iraq jails three Swedes

Iraq has sentenced three Swedes to seven years' jail for illegally entering the country, the Swedish Foreign Ministry said yesterday, Reuter reports from Stockholm.

Leif Westberg, Christer Stromgren and Stefan Wihlborg, three engineers working on a project in Kuwait for telephone company Ericsson, were arrested after entering Iraq on September 3.

Senate tightens Cuba embargo

The US Senate has passed the Cuban Democracy Act, bringing significantly closer a tightening of the US economic embargo against Cuba, writes Damian Fraser in Mexico City. The act would ban the foreign subsidiaries of US companies from trading with Cuba.

Both presidential candidates, President George Bush and Governor Bill Clinton, support the bill, and supporters are confident it will be passed by the House of Representatives this week. US companies have been banned from trading with Cuba for 30 years.

Rawlings to run for president

Ghanaian leader Jerry Rawlings said he would run in the first free presidential elections since he seized power 11 years ago, Reuter reports from Accra.

The 45-year-old leftist told a weekend rally he accepted a nomination to stand as candidate for the National Democratic Congress.

Nigerian polls continue

Retired Major-General Shehu Yar'Adua and former minister Adamu Ciroma have maintained their lead in the second round of primary voting to become the presidential candidates of Nigeria's two army-created parties, the Social Democratic Party (SDP) and the conservative National Republican Convention (NRC), Reuter reports from Lagos.

Hope for Israel-Syria talks

Interior Minister Arye Deri yesterday said Israel and Syria would resume peace talks in Washington despite deep disagreement over when to start discussing Israeli withdrawal from the occupied Golan Heights, Reuter reports from Jerusalem.

NEWS: UK

Venture fund to run under Islamic law

By Charles Batchelor

PLANS TO raise a $400m venture capital fund to make investments according to Islamic doctrine were announced in London yesterday.

The First Islamic Venture Capital Company is offering up to 40m shares at $10. The company intends to invest in established, profitable enterprises in Europe and the Islamic world, although some of its investments in Islamic countries will be in infrastructure projects such as roads and bridges, which will make a lower return.

This is believed to the first time that a specifically Islamic or ethical fund has been launched.

The fund will not make any investments that produce interest or rents, nor will it back banks, finance houses, breweries, casinos or tobacco companies. It is designed to appeal to Moslem investors and others seeking an ethical investment.

Up to 40 per cent of the fund's assets will be invested in Islamic countries, while at least 30 per cent will be invested in Europe. The remaining 30 per cent will be invested in international equities to provide liquidity and income.

Within the ethical code adopted by the fund, investments will be made on a commercial basis, although those made in infrastructure projects may produce a lower return.

The fund expects to make between 10 and 30 investments, according to Mr Derek Bartlett of City Financial Asset Management, which will manage the fund's liquid assets.

First Islamic takes the form of a close-ended investment company - it will stop issuing shares once its agreed capital is reached - incorporated in the Isle of Man. It plans to seek a listing for its shares on the Irish stock exchange. It will have an expected life of about 18 years, after which time it plans to go into voluntary liquidation.

Piper Investment Management, which has a venture capital fund specialising in the retail sector, will manage the European portfolio, while the Mohammad Group, with interests in housing, industrial, *agricultural and media* projects, will advise on marketing and promotion in Islamic countries.

The offer period for the shares closes on October 9.

Ministers predict early, but modest, interest rate cut

By Philip Stephens

UK MINISTERS last night held out the prospect of an early cut in interest rates but sought to dampen speculation that sterling's departure from the exchange rate mechanism had set the stage for a rapid relaxation of anti-inflation policy.

The forecast of a fall in borrowing costs before the annual Conservative party conference in early October did little to disguise growing concern within the Cabinet about the longer-term implications of the break with the D-mark.

The unease coincided with acknowledgement by Whitehall officials that it was now "impossible to predict" exactly when sterling would rejoin the ERM.

It is understood that there is no pressure on the prime minister to rejoin over the next few weeks. There is a broad consensus that the immediate priority is to see the establishment of economic recovery in Britain and evidence from Germany that its interest rates are on a downward path.

But Mr Michael Heseltine, secretary of state for trade and industry, is far from alone among senior ministers in arguing that an indefinite suspension of ERM membership would undercut decisively Britain's economic prospects.

Mr Douglas Hurd, the foreign secretary, and Mr Kenneth Clarke are among others said to believe that the government should be thinking in terms or resuming membership later this year or early in 1993.

Pro-European hope is that Mr Major will reaffirm his commitment to keep Britain at the "heart of Europe" during Thursday's *emergency Commons debate on the economy.*

But the ministers acknowledged concern that the shock of last week's devaluation may for a time tempt the prime minister to switch his attention from rebuilding bridges with Europe to the need for economic recovery here.

The time and scale of interest rate reductions will depend on the level at which sterling settles on foreign exchange markets after yesterday's Maastricht vote.

Treasury officials are warning *ministers that the devalua*tion of the pound since last Webnesday has already provided a looseing of monetary policy.

If the government moved too quickly *to push* up *domestic* demand through lower borrowing costs, the competitive gain from the devaluation would quickly be lost in high inflation. But Mr Norman Lamont is expected to judge that even with a lower pound there is scope for a cut of between 0.5 and 1 point in base rates over the next few weeks.

Ulster talks move to Dublin

By Tim Coone, in Dublin

DUBLIN CASTLE, the former seat of British colonial rule in Ireland, is the symbolic venue this week of the round-table talks on Northern Ireland's political future.

Not since independence was given to the Irish Republic in 1921, and the province of Northern Ireland split away, giving the Protestant Unionists of Ulster a secure political majority there, have Unionists met with government ministers from the Republic on the *latters' home-ground.*

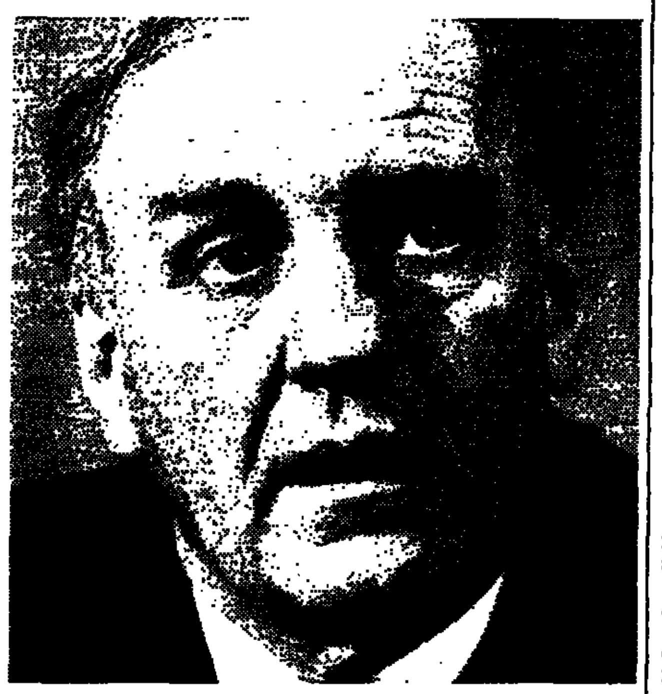
The symbolism was not lost on the Rev Ian Paisley, the Democratic Unionist Party leader, who last Friday announced that his delegation would not be attending the Dublin phase of the talks.

He says they will return to the table once the Irish government undertakes a pledge to drop its territorial claim to Northern Ireland.

The DUP intransigence has exposed a breach in the Unionist flank. The Official Unionist Party is sending a 10-strong team to Dublin, and was sharply critical of the DUP at the weekend.

The situation is such that signs of Unionist unity over the negotiating process are *becoming* more *difficult* to detect as clear differences emerge over tactics.

Both have sought to underline the importance they attach to the amendment of Articles 2 and 3 of the Irish constitution which deals with the territorial claim. Both parties have chosen separate methods of achieving their goal.



David Andrews: Dublin considers referendum on claim to Ulster

A statement made by Mr David Andrews, the Irish foreign *minister, at the talks last* Friday, and leaked in Belfast and Dublin at the weekend, has indicated signs of flexibility in Dublin. He said the Irish people could be consulted *directly if an* "honourable accommodation" were agreed in the talks.

An OUP spokesman said: "The tone has modified noticeably from what we previously understood to be the Irish government's position".

That was perhaps helped by a statement last week from Mr John Bruton, the opposition Fine Gael leader in Dublin, who said the government *should be prepared to yield* more readily on the constitutional issue.

The DUP yesterday however rejected the latest Irish statement. Mr Sammy Wilson, a *DUP* spokesman called it "a pig in a poke".

The talks have thus arrived at what is probably their most critical phase. The first indications of compromises from all parties will have to be laid on the table this week in Dublin.

If none are forthcoming, it is unlikely this particular talks process will survive.

Britain in brief

Average UK lunch just 21 minutes long

The average British office worker now spends just 21 minutes a day having lunch, 11 minutes drinking tea or coffee, and six minutes going to the toilet, according to a survey by Interlink Express Parcels.

The survey attributes such indices of pressure to the recession. A total of 74 per cent of those interviewed in the sample say that greater demands are being made on their time than two years ago.

The survey also finds that office workers spend 42 minutes a day on the telephone, 38 minutes chatting face-to-face, 21 minutes reading or writing letters, 15 minutes attending *meetings,* and 50 minutes commuting to work.

£ crisis hits travel sector

MASON International Travel, a Scottish holiday company, has ceased trading amid fears that more travel operators are facing collapse in the wake of sterling's devaluation.

The Civil Aviation Authority said yesterday that five international travel operators had ceased trading in the last month.

Mr Nigel Griffiths, Labour consumer affairs spokesman, claimed that last week's devaluation had "plunged holiday *companies into financial cri*sis". He said travel operators would find that the money they had taken from clients would no longer cover their bills abroad, because devaluation had increased costs by 10 per cent.

Tax may boost electricity price

The UK electricity industry would suffer less than other forms of energy from the European Community's proposed carbon tax according to a confidential report prepared for the Electricity Association, the industry's trade group. The tax could even result in electricity increasing its market share.

The report, by Cambridge Econometrics, suggests that the tax would reduce total energy demand in the UK by 7 per cent between 1990 and the year 2000. However electricity demand would only fall by 5 per cent because large segments of industry would switch to electricity from other power sources.

Top pay still above inflation

Basic pay for managers continues to comfortably outstrip inflation and has risen by 5.6 per cent over the past 12 months, compared with 8.9 per cent a year ago, according to the latest survey by the Reward Group.

In the last quarter the average settlement for managers has fallen to 4.2 per cent but the survey participants do not predict a further fall and the annual settlement level for this time next year is expected to be 4.8 per cent.

The latest report from Incomes Data Services, the pay analysts, looks forward to the *pay and bargaining prospects* for 1993 and concludes: "Low inflation plus stagnation will produce low pay settlements, roughly in the 3 to 5 per cent range".

Staff underpaid by employers

Nearly one in three employers are illegally underpaying their staff, according to a report from the Low Pay Unit based on the 1991 figures from the *government's Wages Inspec*torate.

The Low Pay Unit, an independent research group, found that of the roughly 18,000 employers visited by government inspectors last year, nearly 6,000 were underpaying to the tune of £1.5m. Only 15 employers were prosecuted.

Low Pay Unit director Chris Pond, said: "The Wages Inspectorate which has responsibility for enforcing minimum wage legislation, is being whittled away. There are now only 64 inspectors to check the wages of nearly 2.5m employees, compared with 177 in 1979."

He *said government* proposals to abolish the Wages Councils, which set wages in some low pay industries, would legitimize "criminally low wages" and leave the UK alone in Europe *with no minimum* wage protection.

Anti-terrorist chief replaced

Commander George Churchill-Coleman, head of Scotland Yard's anti-terrorist branch for seven years, is to be replaced by Commander David Tucker, Sir Peter Imbert, Metropolitan Police commissioner, said yesterday.

Sir Peter said the move was one of a number involving senior officers *in the Metropoli*tan Police. Mr Tucker, presently head of the force's criminal intelligence branch, takes over from Mr Churchill-Coleman against a background of reports of the government's impatience with the anti-terrorist squad's failure to prevent IRA attacks on the mainland.

Mr Kenneth Clarke, home secretary, recently said MI5 was to take over the primary responsibility for gathering intelligence about IRA terrorism on mainland Britain.

UK Gold set to go ahead

UK Gold, the planned £30m television entertainment channel, now seems certain to go ahead.

A US television company has agreed in principle to underwrite the 65 per cent of the equity not held by the channel's founders, Thames Television and BBC Enterprises, the commercial arm of the BBC.

The deal now being finalised clears the way for a launch of UK Gold in mid November. Thames, which will cease to be an ITV company at the end of this year, will take a 15 per cent stake in the company, with an option for a further 5 per cent, and the BBC will have 20 per cent. The aim is for the rest of the equity to be held by four or five shareholders, but the underwriting deal means that the launch of the channel can now go ahead before all the shareholders are formally in place.

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THE WEEK AHEAD

UK COMPANIES

TODAY
COMPANY MEETINGS:
Murray Smaller Markets Trust, 7, West Nile Street, Glasgow, 10.30
Pifco Hldgs., Stanneylands Hotel, Stanneylands Road, Wilmslow, Cheshire, 9.30
BOARD MEETINGS:
Finals:
Bryant
MAI
Refuge
Interims:
Brent Chems.
Chester Waterworks
Dinkie Heel
Edinburgh Fd. Mngrs.
Helene
Metalrax
Microvitec
Ross
Russell (Alexander)
Schroders

TOMORROW
COMPANY MEETINGS:
Danae Inv. Trust, 99, Charterhouse Street, E.C., 12.30
Howden Group, Dean Park Hotel, 91, Glasgow Road, Renfrew, 12.00
Park Food Group, Tranmere Rovers Football Club, Prenton Park, Birkenhead, 12.00
Wood (John D.), 26, Curzon Street, W., 12.00
BOARD MEETINGS:
Finals:
Cantors
Lloyd Thompson
Mucklow (A & J)
Interims:
British Fittings
Brixton Estate
Comac
CrestaCare
Elswick
Hartons
Jardine Matheson
Next
Seafield Res.
TT Group
Tarmac
Tesco
Wolstenholme Rink

WEDNESDAY SEPT. 23
COMPANY MEETINGS:
Forminster, Prince Regent Hotel, Manor Road, Woodford Bridge, Essex, 12.30
Unitech, Howard Hotel, Temple Place, Strand, W.C., 12.00
Vardy (Reg), Houghton, Wessington Way, Sunderland, 12.00
Victoria Carpet, Green Street, Kidderminster, 3.00
West Trust, Cologne House, 13, Haydon Street, E.C., 11.00
Zetters, Clerkenwell Conference Centre, Clerkenwell Green, E.C., 11.00
BOARD MEETINGS:
Finals:
Barratt Devs.
Bennett & Fountain
Gent (SR)
Interims:
Ashley (Laura)
BSG Intl.
Britannia Grp.
British Aerospace
Clyde Petroleum
Copymore
Costain
Dagenham Motors
Geest
Headlam
Henderson Highland Tst.
ISA Intl.
Jardine Strategic
Pittard Garnar
Secure Trust
Spirax-Sarco
Travis Perkins

THURSDAY SEPTEMBER 24
COMPANY MEETINGS:
Aerospace Eng., Blunsdon House Hotel, Blunsdon, Swindon, 12.15
Alphameric, 50, Stratton Street, W., 10.00
Druck, Fir Tree Lane, Groby, Leicester, 12.00
Electric & General Inv., 3, Finsbury Avenue, E.C., 12.30
Smith (David S.), St. James Court Hotel, Buckingham Gate, S.W., 10.15
Williamson Tea, Painters Hall, 9, Little Trinity Lane, E.C., 12.00
BOARD MEETINGS:
Finals:
Davies (DY)
ECU Trust
EFM Dragon Trust
Lambert Howarth
Murray Ventures
SWP
Throgmorton Dual Tst.
Trace Computers
Interims:
Antofagasta
Appleyard
Black (A & C)
Caverdale
ERA
Hampden
Hay (Norman)
Headline Book Publ.
Highcroft Inv. Tst.
Kinta Kellas
More O'Ferrall
Morrison (Wm.) Supermkts
Newarthill
Spring Ram
Telemetrix
Utd. Newspapers
Vickers
Wholmen
Yule Catto

FRIDAY SEPTEMBER 25
COMPANY MEETINGS:
Dyson (J & J), Royal Victoria Holiday Inn, Victoria Station Road, Sheffield, 12.00
English & Caledonian Inv., 125, West Regent Street, Glasgow, 12.30
Expedier, Cafe Royal, 68, Regent Street, W., 10.00
Kleinwort High Inc. Trust, 20, Fenchurch Street, E.C., 10.30
Marling Inds., Chartered Accountants Hall, Moorgate Place, E.C., 10.00
Real Time Control, Elton House, Elton Way, Watford, 12.00
TR Smaller Co's Inv. Trust, Mermaid House, 2, Puddle Dock, E.C., 12.30
BOARD MEETINGS:
Finals:
Fortnum & Mason
Sheldon Jones
Interims:
Central ITV
Clayform Props.
Donelon Tyson*
Foreign & Col. Pacific Inv. Tst.
HTV
Headway
Molins
Mowlem (J)
Sentry Farming

*Amended since last Monday's edition.
Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

TODAY
Alcan Aluminium $0.075
Arab Banking Fltg. Rate Nts. 1996 $269.79
Birmingham Midshires Bldg. Society Fltg. Rate Sb. Nts. 2005 £58411.64
Bristol & West Bldg. Society Senior Vart. Rate Nts. 1994 £263.77
CESC Equity Rp2
Do. 7.5% Cm. Pf. Rp0.75
Chester Waterworks Cons. £2.10
Do. 3.15% Pf. £1.575
Christiania Bank og Kreditkasse Rev. Fltg. Rate Nts. 1997 $1096.14
Commonwealth Bank of Australia Gtd. Und. Var. Rate Cap. Nts. $120.15
Enron $0.325
Evode 1.78p
FKI 1.3p
Genesis Emerging Markets $0.10
Kershaw (A.) 9p
Do. 12⅛% B Non-Cm Pf. 1.96875p
Leeds Permanent Bldg. Society Fltg. Rate Nts. 1996 £260.04
Midland Bank Und. Fltg. Rate Prim. Cap. Nts. $256.94
Oil & Natural Gas Commision Gtd. Fltg. Rate Nts. 1998 $258.33
Rank Org. 10.25p
Colorvision 2.5p
European Assets Tst. FL0.08
European Inv. Bank. 11% Ln. 2002 £275.00
Forminster 8.75p
Gold Fields Prop. R0.18
Gold Fields of S.A. R1.30
Halliburton $0.25
Lawson Mardon A $0.10
Leeds Permanent Bldg. Society Sb. Var. Rate Nts. £270.53
Marine Midland Bank Fltg. Rate Sb. Cap. Nts. 1996 $134.17
Murray Smaller Markets Tst. 2.75p
New Wits R0.35
Oriflame Int. Br. 6p
Do. Reg. 6p
Park Food 2.2p
Ragby Gtd. Fltg. Rate Nts. 1997 $13812.78
Sothebys Hldgs. A Lim/Vtg. $0.15
Vogels Metal R0.15
Electric & Gen. Inv. 1.8p
Finnish Export Credit 3.6% Eq. Yield Enhancement Sec. 1995 $17.50
Greece Fd. $0.05625
Hercules $0.56
Hill & Smith 2.1p
Isle of Man Steam Packet 3p
Marston Thompson & Evershed 10¼% Db. 2012 £8.3747
Marubeni America Var. Rate Nts. 1997 Y1250000.0
New Zealand 11½% 2014 £287.50
NKK 5.9% Bd. 1997 Y201583.0
RCO Hldgs. 4.62p
Renold 8% 1st Db. 1991/96 £4.0
River & Merc Geared Cap. & Inc. Tst. 1999 1.4p
Rustenburg Platinum R1.425
Securicor 0.665p
Do. A N/Vtg. 0.665p
Do. 4.55% Cm. Ptg. Pf. 21.175p
Security Services 1.394p
South African Brews. 7% Gross Cv. Rd. Cm. Pf. R0.014
Sumitomo 6% Bd. 1997 Y119132.0
Sumitomo Metal Inds. 5.9% Bd. 1996 Y127778.0
Tanjong M$0.01
TSB Gilt Fd. Ptg. Rd. Pf. 0.8333p
Treasury 8% 2009 £4.0

TOMORROW
Exchequer 13½% 1992 £6.75
Goode Durrant 3.25p
Limited Inc. $0.07
Marine Midland Banks Fltg. Rate Sb. Nts. 2009 $134.17
Riggs National Fltg. Rate Sb. Nts. 1996 $134.17
Royal Dutch Pet. Br. FL3.60
Do. Reg. FL3.60
Standard Chartered Und. Prim. Cap. Fltg. Rate Nts. £128.83
Triplex Lloyd 4.5p

WEDNESDAY SEPTEMBER 23
Citicorp Fltg. Rate Sb. Cap. Nts. 1996 $134.17

THURSDAY SEPTEMBER 24
Asian Dev. Bank 10¼% Ln. 2009 £256.25
Boots 10⅛% Bd. 2017 £2109.38
Greenalls 11½% Db. 2014 £5.75
Int. Bank for Recon. & Redevelopment 9½% Ln. 2010 £4.75
Jersey Phoenix Tst. 1.5p
Kode Int. 1.5p
Sidlaw 7½% Un. Ln. 2003/08 £3.75
Spain 11¾% Ln. 2010 £293.75
Treasury 2½% I.L. 2001 £2.1654

FRIDAY SEPTEMBER 25
American Cyanamid $0.4125
Assoc. Brit. Foods 5½% Un. Ln. 1987/2002 1.375p
Do. 7½% Un. Ln. 1987/2002 1.875p
Black & Decker $0.10
Chapman Inds. 8½% 1st Mtg. Db. 1993/98 £4.25
C.S.C. Inv. Tst. 1.5p
Dainippon Screen Mfg. 6.1% Bd. 1997 Y152500.0

SATURDAY SEPTEMBER 26
Exchequer 12¼% 1999 £6.125
Radius 0.9p
Treasury 13½% 2004/08 £6.75
Vaux 9.875% Db. 2015 £4.9375
Do. 10¾% Db. 2019 £5.375
Do. 11¾% Db. 2010 £5.875

SUNDAY SEPTEMBER 27
MBL Finance 8⅛% Gtd. Bd. 2001 $8034.22
Do. 8⅝% Gtd. Bd. 2006 $8553.13
Mersey Docks & Harbour 6¾% Rd. Db. 1996/99 £3.375
Scottish Life Assurance 7⅛% Un. Ln. 1997/2002 £3.5625

ECONOMICS

Good news remains elusive

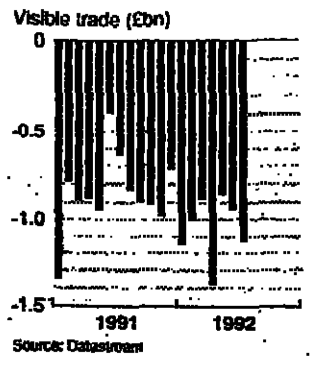
STATISTICS due this week will give delegates at meetings of the International Monetary Fund and the World Bank a further reminder of problems facing the world economy.

German money supply figures are likely to dampen any hopes of further cuts in German interest rates. Broad money in the year to August is expected to have grown at an annualised rate of 8.5 per cent, well outside the Bundesbank's target range of 3½-5½ per cent.

A raft of statistics on Firday are expected to confirm that the US recovery is, at best, sluggish. And the gloomy mood in Japan will not be helped by news of the second quarter figures for gross national product. The markets expect GNP to have grown by a mere 0.5 per cent, compared to 4.3 per cent previously.

UK trade figures will be watched over the next year to see whether last week's sterling devaluation gives a boost to exports. The August visible trade balance is expected to be £1bn, down slightly from the previous month.

UK trade balance



Source: Datastream

Today: Belgium, EC deputy finance ministers meet to discuss internal market; France, Matif to open at 05.00 GMT; Australia, July housing finance (up 0.5 per cent); Canada, July retail sales.

Tomorrow: France, official referendum result announced; US, annual IMF/World Bank meetings continue, August housing starts (1.16m), August building permits, August Treasury budget; Japan, July personal income, July personal consumptions expenditure, September wholesale price index, first ten days; Canada, July wholesale trade (up 0.5 per cent), July department store sales (up 0.5 per cent); UK, August current account (£0.8bn deficit), August visible trade (£1bn deficit).

Wednesday: US, Federal Reserve release Tan Book for October 6 FOMC meeting, auto sales September 11-20 (6m units); France, August trade balance (FFr1.6bn surplus); UK, August building societies net new commitments (£3.1bn), second quarter GDP (down 0.1 per cent on quarter, down 0.5 per cent on year); New Zealand, August trade balance.

Thursday: US, second quarter GDP (up 1.4 per cent), second quarter after tax profits (up 1.7 per cent), initial claims for week ended September 12 (410,000), August export price index, August import price index, money supply data for the week ended September 14.

Friday: Germany, first Bundesbank meeting after summer break; Japan, August consumer prices index - Tokyo (up 2.1 per cent on year), excluding perishables (up 2.2 per cent on year), nation (up 1.7 per cent on year) excluding perishables (up 2.3 per cent on year); Australia, August motor vehicle registrations (up 5 per cent); US, August durable goods orders (up 1.2 per cent), August existing home sales, August personal income (up 0.4 per cent), August personal consumer expenditure (up 0.2 per cent), August bank credit; Canada, industrial production price index (up 0.1 per cent), raw materials price index (down 0.2 per cent).

During the week: Japan, second quarter GNP (up 0.5 per cent); Germany, August M3 (up 8.5 per cent); Netherlands, trade balance; Denmark, August CPI; Belgium, August CPI; Italy, September CPI (up 5.4 per cent), PSBR (L87trillion).

RESULTS DUE

British Aerospace on Wednesday is the big results event of the week. It is the one chance for Mr John Cahill, the distressed group's new chairman, to clear the decks and produce – as he has promised – a solution to the company's regional aircraft problem.

At interim stage a year ago it unveiled a sharp plunge to pre-tax profits of £86m (£146m) and a £432m rights issue. Whatever profits it eked out in the first half of this year will be swamped by restructuring costs which, on the most pessimistic forecasts, could approach £750m.

The week will bring more results from the battered construction sector. The reported profit or loss at Tarmac tomorrow and Costain on Wednesday will be less interesting than the news the companies might deliver on restructuring efforts essential to their recovery.

Tarmac is likely to report an interim loss of about £14m (pre-tax profit of £18.2m, itself a sharp decline from the previous year) and a dividend of 2p (3p). Provisions are likely on the value of its landbank and for restructuring costs.

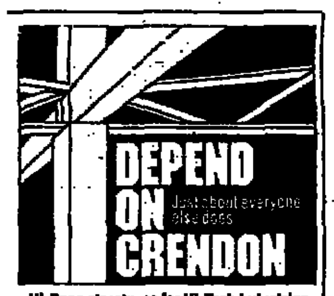
Costain might make a minimal profit of around £1.5m (£5.7m) but it too needs to take hefty provisions. Partial flotation of its Australian coal business has yet to be finalised but should generate a much-needed £45m or so. But it needs more help than that and the markets will want to hear of further restructuring plans.

Barratt Developments, the volume house builder, took its pain in 1991, with a loss of £106m. For the year ended this past June it should report a small profit of up to £7m and perhaps a modest dividend. It is back under the management of Sir Lawrie Barratt, its founder, but is suffering from the sharp margin and volume cuts of the housing market.

PARLIAMENT

Thursday - Debate on the economy.

Friday - Debate on foreign affairs.



BUILDING CONTRACTS

£36m work awarded to Wiltshier

WILTSHIER CONSTRUCTION GROUP has won new contracts totalling £36m during the month of August.

The largest single project is a £16.6m fit-out for a major city finance house. Also in central London is a £8.8m fit-out of West Court in Holborn Bars for Prudential Development Management.

Other major gains by the group include a £4.1m Sainsbury's supermarket to be built in East Grinstead, Sussex; a £1m primary school for Oxfordshire County Council in Abingdon and a £1.9m sheltered housing project for the Elder Cottage Hospital in Glasgow.

Hospital plan

A £12m contract to design and build a main building for Nepean Hospital, 50 kilometres west of Sydney, Australia, has been awarded to BARCLAY MOWLEM, the Australian division of John Mowlem Construction.

The project is part of a major programme of extensions and improvements being undertaken at Nepean Hospital, Penrith, near Sydney, which is designed to upgrade its status to a tertiary referral and teaching hospital.

The building is in three segments, varying from two to five storeys. Facilities will include general medical and surgical in-patient units, a coronary care and cardiology inpatient unit, emergency and outpatients' departments, medical imaging, endoscopy, clinical physiology and therapy units together with social work and medical records departments. The number of beds will rise from 300 to 400.

Construction is expected to begin in late November with the completion of the project sheduled for June 1994. New South Wales public works department has undertaken the conceptual design.

£30m orders for Try Group

A view of the 12th century Coombe Abbey and Countryside Park near Coventry

Try Construction has signed a joint venture agreement with Coventry City Council and Lumley Castle Hotels to redevelop Coombe Abbey and Countryside Park near Coventry.

The contract, worth nearly £11m, comes on top of further orders worth £20m, recently awarded to the TRY GROUP, which include work for the All England Tennis Club at Wimbledon, to refurbish the old covered court and the South Stand on No.1 Court, with extensions to the lady members' dressing rooms. At Queens Club, Try will build the first phase of a programme of works which include a two-storey extension to existing buildings to provide a new booking area and shop.

In London's West End, work has begun on a commercial development for Meteor Properties (Mayfair). The £7m contract will see the construction of shops, three stories of air conditioned offices and five single-bedroom flats in New Bond Street.

Other contracts awarded to Try Construction include the upgrade of offices in Luke Street, City of London, extensions to the Bishop Ramsey School, Ruislip and a new church for St Peter's in Hinckley, Leicestershire.

Try Build has been awarded a £1.7m contract to refurbish the Drummonds branch of the Royal Bank of Scotland in Trafalgar Square.

In addition, maintenance term contracts, valued at £1.4m, have been secured from the PSA at locations through the south of England, British Telecom and West Oxford District Council. Alterations and extension work will also be carried out at High Close School, Wokingham for Barnardos Property Services.

Civil engineers Arnold and Nathan has won contracts worth £3m in the south east. The largest of the projects, valued at £900,000, is at Sittingbourne where the company will upgrade and extend an existing effluent plant at Kemsley Paper Mill.

£15m shopping centre in Brno

BOVIS has been appointed development manager for a £15m regional shopping centre, to be built on the outskirts of Brno in Czechoslovkia.

The client, Vrabel Brothers S.R.O., is a leading Czech property development company with particularly good knowledge of the Moravia area.

Occupying a seven hectare side adjoining the Prague-Brno motorway, and close to a proposed major north/south interchange, the centre will provide 30,000 sq metres of retail space. The development will include a 0.5 hectare motorway service area to be built for the petrol company AGIP.

Planning consent has already been granted for the retail centre and service area. Construction work is due to begin in April next year with completion in spring 1995.

Bovis, which is owned by P&O, is already engaged in another project in the area, as joint venture partners with the City of Brno in the development of a £130m technology park on the university campus.

Water reclamation works in Leicester

Severn Trent Water has awarded BALFOUR BEATTY CIVIL ENGINEERING the £9.4m Abbey Sewer contract in Leicester.

The work involves driving a 6km tunnel from the water reclamation works near the village of Wanlip on the northern outskirts of Leicester, into the heart of the city.

Approximately half the tunnel length follows the Melton Road, which is a busy residential and shopping street leading into the city. The other half is through a very rural area where the tunnel passes under a canal, the River Soar and a lake with only shallow ground cover.

The tunnel will be lined with 2.44 metre internal diameter precast concrete bolted smoothbore segmental linings, erected within a full face tunnel boring machine which will be used to excavate through the Mercia Mudstone beds about 10-15 metres below the surface. The contract includes the construction of 17 precast concrete segmental manhole shafts between 6.75 metre and 3.05 metre diameter at depths of up to 16 metres.

There is also a 370 metre length of 1.52 metre diameter tunnel and 300 metres of sewer in headings and trenches, required to connect up to existing sewers.

Work on the 100-week project will commence by the end of October.

TRAINING ON TRIAL

Paul Cheeseright looks at the value of schemes that introduce young people to the world of work

Experience of a lifetime

Work experience used to be a convenient way for schools to rid themselves of troublesome pupils and place them in the care of an unsuspecting employer for a fortnight. Developed from such inauspicious beginnings 20 years ago, the provision of work experience for the employee of tomorrow is the best established, the most popular and the clearest manifestation of the growing partnership between the worlds of business and education.

Yet there is little agreement on the purpose. At government level, the experience is deemed valuable as an introduction for the young to the world of work, as a broadening of horizons; indeed, it is a recommended, although not a compulsory, element of the national curriculum for 15-16 year olds.

At pupil level, motives are diverse. For some, it is less an educational experience, more a useful way of obtaining an inside track to a limited range of jobs. John Spires, Birmingham director of Project Trident, which finds work experience places for 125,000 pupils a year, recalled that earlier this year most of the 400 pupils in one group wanted to work in shops and offices. "Only 18 or 20 wanted to go to engineering companies."

The most severe problem, suggested Robert Powell, communications manager of *School Curriculum Industry* Partnership, is matching young people to placements. "Very often they choose according to what they know. Is it a more valid learning experience to get them to do what they don't want to do?"

Although it can be taken for granted that no employer wants to play host to recalcitrant teenagers, employers themselves approach work experience from a mixture of motives. According to John Berkeley, education and careers manager at Rover Group, the car manufacturer: "No apparent consensus exists among employers as to why their organisations, particularly those operating in a competitive, commercial environment, should devote time, effort and resources to providing pupil placements."

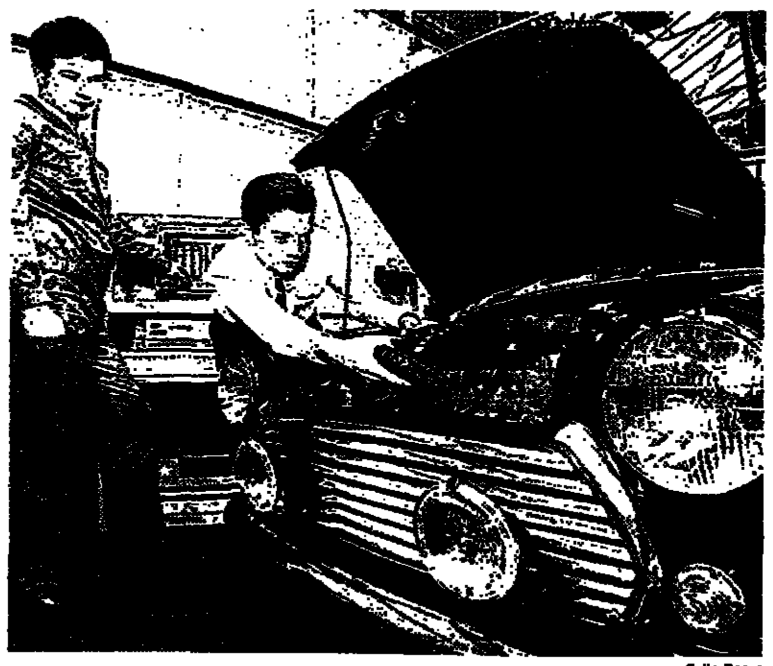
Spires, who spends much time talking to employers, listed a number of possible motives, including the following:

- To gain an extra pair of hands.
- To enlarge the pool of future *labour*.
- To influence what goes on back at school.
- *To provide staff with supervisory* experience.

Such disparity of objectives inevitably means that the value of the work experience for the pupil cannot be guaranteed. "A lot of it should carry a government health warning," commented Berkeley. "It is better to have none than that which distorts the view of work."

In this hit-and-miss world where work *experience can mean shoving* papers in files for a fortnight, sitting for hours at a checkout till – being used, in fact, as cheap labour – there tends to be a difference in approach between large and small companies. "If I place somebody in the branch of a multiple shop or Land Rover, I would expect them to have a structured programme," said Spires. "If I place somebody in a small solicitor's office, what they get to do depends on workload and what time the partners have to spend with the kids."

Rover, itself, delivers the kind of structured programme that is being copied by other groups. Ideally, the company hopes that pupils coming forward for work experience will come from schools with which it already has a contractual partnership, so that the work experience is an integral part of a broader collaboration between school and industry.



Colin Beere

Student Steven Mabbutt is put to the test at Rover's Canley, Coventry, works

Although Berkeley noted that work experience should not be career-oriented – "I would place equal value on work experience when the young person concerned realises that this *industry is not for them*" – *Rover* consciously adopts a business approach to each individual placement. There is a learning agreement with each pupil, an extension of the contractual relationship it has with schools. This is the concept, Berkeley observed, "of the employer as sub-contractor to the school".

The learning agreement seeks to enshrine the answers to three questions. What is to be learned? How is to be learned? What evidence of that learning will there be and how is that learning to be assessed? Last year *1,000 school pupils went through the* process, not on the assembly line, but in the workshops, laboratories, test areas and offices of the group's plants.

Elsewhere in industry, Spires said employers were more frequently asking the question: "How can we take kids on to our premises when we are laying people off?"

Nuts and bolts of giving power to the people

By Christopher Lorenz

Few modern management concepts have generated as much noise and confusion as the overworked term "empowerment".

Some executives fear it will undermine their authority and even remove their jobs, while others see it as the only way their business will prosper, even survive, in the 1990s.

One reason for the confusion is the word itself. In the US, it has been used for more than a century in political circles to describe the gaining of power, especially by minority groups. Over the past few years business has caught the habit, but has employed – and parroted – it far too loosely.

Like much American business hyperbole, there is often less to empowerment in US companies than meets the eye or ear. Sometimes the word is used merely to dress up consultation – what David Bowen and Edward Lawler, two academics in the field, call "suggestion involvement". McDonald's, the fast food chain, uses this form of very limited "empowerment".

A second, more real, type is what Bowen and Lawler call "job involvement". This entails extensive job redesign, so that employees use a variety of skills, often in teams. They have considerable freedom in deciding how to do the necessary work.

Despite the increased empowerment that it brings, the job involvement approach does not change higher-level strategic decisions about organisation structure, power and the allocation of rewards. These remain senior management's responsibility.

A third level is what the two academics call "high involvement" – a form practised by Federal Express, the Herman Miller furniture company, and the redoubtable Johnsonville Sausage of Sheboygan, Wisconsin. A much-admired enterprise, its founder and chief executive, Ralph Stayer, has become one of the best-known evangelists of the US empowerment movement. (Sadly for fans of evocative company names, his was recently changed to Johnsonville Foods).

With "high involvement", under Bowen and Lawler's definition, employees become involved not just in how to do their jobs, or how effectively their team performs, but also in the whole organisation's performance.

Virtually every aspect of the organisation *is different* from that of a control-orientated one. Information on all aspects of business performance is shared horizontally across the organisation, as well as up and down the (delayered) structure.

Employees develop extensive skills in teamwork, problem solving and business operations. They participate in work-unit management decisions. There is profit sharing and employee ownership.

Whether one agrees that all three levels warrant the term "empowerment", it is vital to distinguish between them to understand what the term can mean. It is equally important to know which form suits different situations. A widely-quoted academic article by Bowen and Lawler earlier this year is helpful here.* It makes the vital point that there is no single approach which is ideal in every industry, company, function or situation. Like so many other things in management, the ideal degree and form of empowerment is contingent upon circumstances.

The second reason for confusion over the concept is that the word is too often used without its mirror image: responsibility. This is not the fault of two of the people most responsible for the popularity of the concept, Tom Peters and Robert Waterman, who were co-authors a decade ago of the best-selling business book ever, In Search of Excellence.

In subsequent, separate volumes in 1987, called respectively Thriving on Chaos and The Renewal Factor, they each rammed home that empowerment carries with it much greater responsibility, as well as the need for higher performance. Indeed, some American pundits and companies now prefer the term "high performance" to those of either "high involvement" or "empowerment".

In France, the latter word is hardly ever used. "The French call it 'responsibilisation'", says Paul Evans, professor of organisational behaviour at Insead, the European business school based south of Paris.

Yet in German-speaking Switzerland and parts of Germany, "empowerment" is gaining a foothold, as being preferable to the German equivalent "Ermaechtigung".

A *third problem* is confusion between empowerment and delegation. "Empowerment is not just a matter of pushing more responsibility down an organisation," says Evans. "It's stupid and crazy to do so to people who don't have the skills and competences to take control over their work."

Evans is echoed by Jack Furrer, director of management education at Ciba-Geigy, the Swiss pharmaceuticals and chemicals multinational. "All too often, delegation equals dumping," he says. "Sometimes it's more positive and consists of a balance between direction and autonomy. But it still usually lacks the element of support which empowerment involves."

A fourth problem is the obvious one, that *power-conscious managers* are put off by empowerment

war stories such as the one at Johnsonville Sausage, where Stayer admits happily that he gave away much of his authority for the benefit of the company's motivation and performance. At Ciba-Geigy, however, reluctant managers have been told as part of the company's "leadership and teamwork" programme that in new-style organisations, one does have to share power, although this does not mean surrendering it.

"People still need direction", says Furrer. "Managers need to create an environment which suits both themselves and their employees."

Furrer, who subscribes to the theory of what is known as "situational leadership", says that the relative balance required between direction, support and autonomy varies according to each person and circumstance. Another way of putting this is to say that, except in a few very democratic organisations, the empowerment of middle managers and other employees always needs to have boundaries.

"High performance groups are focused on relatively tight objectives and are measured accordingly," says one top American human resources executive. "They have fences around them and people know where they are."

That said, there is no getting away from the fact that the fundamental principle of empowerment is radically different from the traditional western one of "command and control", in which bosses transfer their ideas into the hands of the workers. Instead, it rests on Konosuke Matsushita's much-quoted dictum** that the survival of companies today "depends on the day-to-day mobilisation of every ounce of intelligence" within them. That implies a very different relationship than in the past between leaders and followers, managers and managed.

But it also explains why full-steam empowerment programmes have developed a nasty habit in the US of hitting the organisational buffers after several years. That, in turn, is partly why it is far more effective for most companies to introduce empowerment as part and parcel of an "organisational re-engineering" programme than for them to give it the limelight on its own.

* *Sloan Management Review Spring 1992 (from MIT). Reprint 3333. Fax (USA) 617-253-5584.*

** *From Managing on the Edge, by Richard Pascale. Simon & Schuster, Viking Penguin £16.99.*

FINANCIAL TIMES SURVEY

NORTHERN IRELAND

Monday September 21 1992

Present talks represent the first real hope of peace in years. But deepening recession and threat of spending cuts add to the sense of urgency. **Tim Coone** reports

Waving the olive branch

POLITICAL initiatives lie like burnt-out wrecks along the trail that has marked Northern Ireland's recent history.

Twenty-three years of intractable sectarian conflict has left behind such a backlog of mistrust and fear that new ideas for bridging the gulf between the nationalist and unionist traditions in Northern Ireland have often been rejected out of hand before they have even had a hearing.

But in April, for the first time since the "troubles" began, the province's four main constitutional parties started facing each other at the negotiating table, with representatives from the British and Irish governments, to discuss substantive proposals for the future administrative structure for Northern Ireland. The complex three-strand negotiating process initiated then has created the first real hope in years that the elusive political settlement may finally be in the offing.

The walk-out by the Democratic Unionist leaders at Stormont two weeks ago, however, has put a question mark over their likely presence in Dublin this week, where the talks are scheduled to resume today. The Rev Ian Paisley, the DUP leader, insists that the Irish government must first commit itself to reforming the Republic's constitution, dropping its legal territorial claim to Northern Ireland, before any progress can be made in other aspects of the negotiations.

The Irish government, for its part, is proffering the carrot of constitutional reform to the Unionists, which would dilute the Republic's territorial claim to one of a mere "aspiration" for Irish unity, but in return also wants guarantees that will protect the interests of the minority community in Northern Ireland.

The nationalist Social Democratic Labour Party (SDLP) led by Mr John Hume, will be particularly anxious that any compromise on the Irish constitution must be compensated by a radical new government structure for the province, which will give Dublin some monitoring role in order to guard against any irredentism on the part of the Unionist majority.

To date, the unionists have given few clues as to how they see the concerns of the nationalist community and the Irish government being addressed, or indeed that they are prepared to surrender any of their bargaining counters. That presumably will be tested soon.

Sir Patrick Mayhew, the Northern Ireland secretary of state, said that he has no wish to endanger the talks by putting undue pressure on the participants. "I expect it to be a longer rather than a shorter process. It would be better to see a result rather than an abrupt halt. It will have a better chance of success if we allow people to sound off," he said.

However, there is concern in Dublin that the talks should not drag on indefinitely. Four cabinet ministers are in the Irish delegation, and are devoting most of their time to the talks - an indication of the importance Dublin attaches to the process.

If no progress is made in the coming weeks, however, there could be a change of attitude, especially if simmering domestic crises should come to the boil.

For its part, the UK government is showing signs of financial, if not political, fatigue with the Ulster question. In a speech earlier this month Mr Michael Mates, minister of state for finance and security in the province, said Northern Ireland would no longer be cushioned from the impact of spending cuts elsewhere in the country. "There are firm constraints on public expenditure nationally and these are likely to be reflected in difficult decisions for all parts of the public sector... we in Northern Ireland cannot be excused our share of this misery".

It is an ominous warning. Some 40 per cent of employment in Northern Ireland comes from the public sector. It has been an important factor in Northern Ireland weathering the recession better than other parts of the country. Unemployment, already the highest regional rate in the UK, is rising, however, and independently forecast to exceed 16 per cent by 1994, even before any cuts. Economic experts are calling for radical new approaches to the economy. The government, however, appears to be going in the opposite direction.

It is also going against the political grain in the province by pressing ahead with its plans for privatisation of public utilities against both nationalist and unionist opposition.

The determination of the government to reduce Northern Ireland's strain on the Exchequer will undoubtedly encourage a growing number of politicians from both political persuasions to seek economic comfort in Brussels.

Sinn Fein, the political wing of the IRA, in its last Congress also noted that an EC dimension might form the basis of a political solution. Its leaders have also been making increasingly conciliatory statements towards the unionists in recent months. The defeat of Mr Gerry Adams in the West Belfast constituency at the last general elections is indicative that Sinn Fein's star is on the wane, and is pushing the organisation towards a more moderate and conciliatory stance.

From the other end of the spectrum, Sir Patrick Mayhew is emphatic when he says: "The British government does not have a selfish motive for staying here. It does not have a special interest of its own to serve ... The more people understand that is the way we look at it, the harder it will be for the IRA to win support."

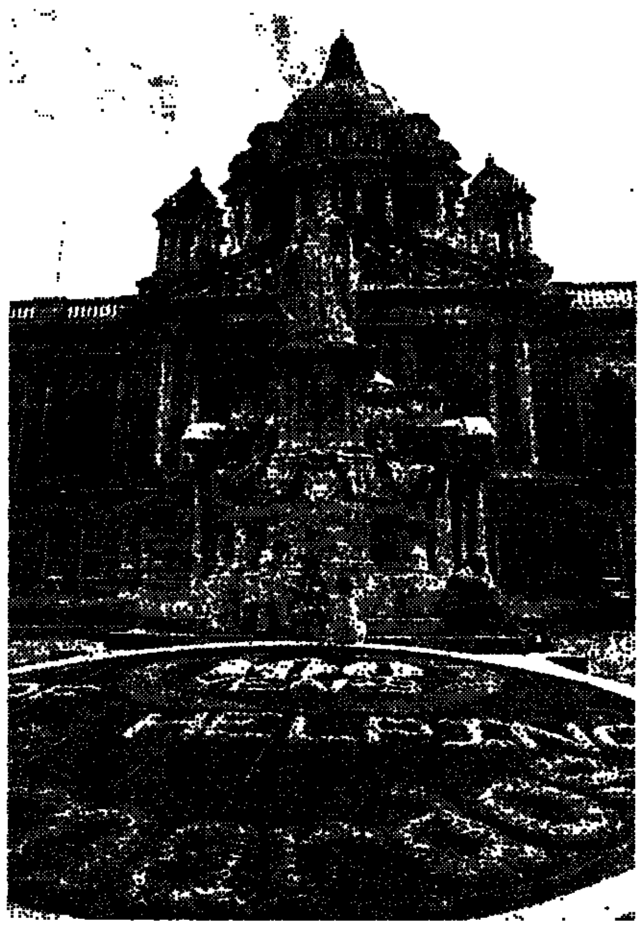
He still rules out talks with Sinn Fein, however. "When there is palpable evidence on the ground that they have renounced and denounced violence for political purposes, then we will have a new situation," he said.

The fact that the Ulster Defence Association (UDA), the cover organisation for the Loyalist paramilitaries of the UFF, was proscribed last month, and Sinn Fein was not, is nonetheless being interpreted as a signal to Sinn Fein that the door has not been closed to their eventual inclusion in the talks.

The substantive concessions from all sides which will be necessary for progress have thus still to be made, but the fact that negotiations have begun at all suggests that a rethink of old dogmas may be under way.

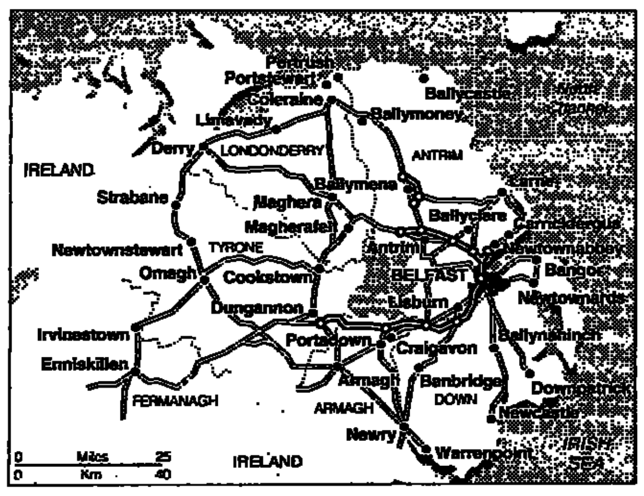
According to Mr Robin Wilson, the editor of Fortnight magazine in Belfast, who through his publication has done much to draw attention to the merits of an EC dimension in any settlement, "it will be a question of redefining nationalism and unionism in a European context".

Whether that imaginative road will be chosen, remains to be seen. It will be a difficult and politically risky process for all involved, but the price of past failure by Northern Ireland's politicians is already there to be seen – the bomb-damaged buildings of Belfast and a grisly death toll of 3,000 since 1969.



Belfast City Hall: economists are calling for new approaches

KEY FACTS	Northern Ireland	UK
Area (sq km):	13,483	242,520
Population (1,000s 1990)	1,589	57,411
GDP (% of UK total)	2.1%	100%
Unemployment (July 1992)	14.7%	9.7%



Statistics paint a gloomy picture

Outward signs of activity mask the real story

ANYONE wanting to place a finger on the economic pulse of Northern Ireland these days, need do no more than stand on the Queen Elizabeth Bridge over the Lagan river in Belfast.

From there an outward appearance of feverish activity meets the eye. The unmistakable heavy-lift cranes of the Harland and Wolf shipyard manoeuvre structures on to the hull of a bulk carrier – one of six orders the company won last year; the flash of welding arcs identifies the Lagan weir – the centrepiece of the Laganside development scheme; the ramps for the cross-harbour road and rail link are taking shape; and in the harbour itself, the sleek lines of the SeaCat ferry from Stranraer can be spotted bringing in carloads of tourists that are feeding a renaissance in the province's tourism industry.

According to a regional trends survey published in July by the Confederation of British Industry, the economic outlook in the province is better than anywhere else in the UK, with order books growing and businessmen showing confidence by planning new investment. The recession, it would seem, has only been happening over the water.

But a different picture emerges from the statistics. The Northern Ireland Economic Council (NIEC), a governmental research and advisory body representing business and trade union interests, notes in a report made in April of this year that "almost all the indicators ... show that the Northern Ireland economy has been in recession over the past year. Given that recovery in Northern Ireland has usually lagged behind recovery in the rest of the UK, where GDP and other indicators are still falling, any respite from these problems may be some way off".

"These indicators add up to what is probably the most gloomy assessment of the Northern Ireland economy that the Council has produced since the last recession in the early 1980s," it says.

Unemployment rose in July to 107,100, up 6,700 on the same month last year, and is now at 14.7 per cent of the workforce. Dr Graham Gudgin, the head of the Northern Ireland Economic Research Centre (NIERC) says his group's econometric model predicts unemployment rising to 16.4 per cent by 1994, to fall later but to remain at 15 per cent until the end of the decade.

According to the NIEC, over half the unemployed have been out of work over one year and are classified as long-term unemployed – almost double the UK average of 27 per cent.

The recession held off until last year in Northern Ireland, largely because of high public sector employment level and lower house prices resulting in higher disposable incomes than the rest of the UK. But those watching the longer term trends are concerned that when there is an upturn, the province will continue to lag behind the rest of the UK.

The announcement earlier this month from Mr Michael Mates, minister of state for finance and security in the province, that Northern Ireland will have to face public spending cuts this year with the rest of the UK, has added further gloom to the picture.

Continued on Page 2

Laganside Corporation is transforming a run-down piece of land

A riverside renaissance

THE Laganside Corporation is charged with regenerating 120 acres of inner city property and land along 1.5 miles of the River Lagan which has fallen into dereliction and disuse as a result of industrial decline.

In this, the corporation is similar to development corporations in Merseyside, Newcastle, Manchester and even London docklands. The idea is that by using a modicum of government money to improve access to rundown dock, riverside or canalside areas, private sector investment will be levered into housing, offices, shops, concert halls and exhibition centres.

The difference is that the River Lagan is in Belfast. Not only is the city a place apart in that – unlike the other industrial cities in decline on the mainland – it does not lock into a highly populated business hinterland, it also has a security problem.

The chances of a visiting businessman meeting a violent death are no doubt greater in Chicago or New York. But the troubles in Northern Ireland have for a long time been a disincentive to investment in property.

This began to change in the second half of the 1980s. Mr Michael Roberts, director of marketing at the Laganside Corporation says: " Everything in Belfast in the property sector is grace of the IRA. But you can see for yourself the changes that have been made in recent years."

Compared with the early 1980s, Belfast is much changed. Then, the city was a web of security barriers and barbed wire. Few new property developments in the city centre were embarked upon. But since 1985, buildings of all kinds, offices, shops, houses, wine bars and cinemas have sprung up in the centre.

The renaissance started with retailing. Belfast, which was dominated by local stores, such as Robinson and Cleaver, began to see the arrival of the

With a changed economic climate ambitions have been scaled down

big chains. By 1990 – with the Castlecourt Centre, the York Centre and the Kennedy Centre – 700,000 sq ft of retailing space had been added to the centre.

Office space was also built, as government departments were moved out of cramped and inadequate space at Stormont, the old parliament outside the city. Mr Kevin Milhench of the leading local estate agents Lambert, Smith, Hampton estimates that the take-up of office space in the past two years has been more than 650,000 sq ft. The clients have been predominantly government departments. "Traditionally, the take-up of office space in Belfast would be no more than 150,00 sq ft a year". Mr Milhench says.

It would be difficult to describe Belfast as normal. The heavily fortified law courts, which stand between the city centre and Laganside, are reminders of the abnormality. "When you talk about developing Laganside, it is like having Fort Knox between the city and the River," Mr Milhench says. However, in spite of these reminders of the troubles, the terrorists have been either unwilling or unable to destroy the city centre. This has allowed further property development.

The question is now arising as to whether the spurt of building in recent years has created an oversupply of property in Belfast and whether development of Laganside would lead to a flood in the market.

Using the grandiose original plans, this would have almost certainly been the case. In 1989, when Laganside Corporation was formed, an investment of £750m was talked of in the seven main sites – the Abercorn Centre, the Abercorn Basin, Clarendon Dock, Laganbank, Ravenhill Reach, Bridge End and the Gasworks.

Developments would have included more than 1m sq ft of office space as well as facilities such as a concert hall, shopping centre, cinema complexes, houses, parks and museums.

With a changed economic climate – Northern Ireland has not been immune to recession – ambitions have been scaled down. By 1996 it is hoped that £200m will have been invested, with £150m coming from the private sector.

Improvements to the infrastructure have already taken place. The weir across the Lagan, at a cost of £14m, will will trap water and cover up the unsightly mudflats. The weir was financed directly by government with help from the European Regional Development Fund.

Spending by the Laganside Corporation – funded by the Department of the Environment of Northern Ireland – has been running at between £8m and £10m a year. Much of this has been spent on developing walkways along the river banks. In the private sector, the main development has been an office block of 70,000 sq ft on the Abercorn Centre site.

If development continues at its present pace, by the mid-1990s, the derelict area of Belfast's docklands should well the way to being transformed into a lively attractive precinct.

Stewart Dalby

With cash scarce, efforts are focused on improving intelligence

The cost of containing terror

A FAVOURITE game among journalists in Northern Ireland is to try to trap a minister into defining what is an "acceptable level of violence", the point being that if the IRA cannot be defeated by military means as the security forces experts say, then at what level can the violence be contained until such time as the paramilitaries can be defeated by economic, social and political means?

The ministers have their standard reply prepared. "There is no acceptable level of violence," they say.

Government statistics hint in numbers at what ministers are unable to define in words. Last year there were 499 shooting incidents, 367 bomb incidents and 237 incendiary devices which exploded or were defused, all relating to paramilitary activity. Over the past four years shootings have oscillated between 500 and 600 – the bombings between 300 and 450.

In 1991, 94 people died as a result of the violence, 75 of them civilians – many of those sectarian murders. Murders by Loyalist paramilitaries are now running almost as high as those by the IRA, and last month's banning of the Ulster Defence Association (UDA) is a recognition of the growing threat they also pose to political stability in the province.

Criminal injuries and damage expenditure, paid by the government as compensation to the victims of the violence, is running at over £40m per year. This caused the government to temporarily suspend its capital investment programme in Northern Ireland earlier this year.

So what more can be done to contain the violence?

When paramilitary activity showed an upturn at the end of last year, two more army battalions were flown into the province. In addition, 400 more Royal Ulster Constabulary (RUC) officers have been recruited bringing RUC

Army patrol: cuts will deplete the number of regular troops available for Northern Ireland

strength up to 8,500. Total army strength is now around 18,500 including 6,000 from the Royal Irish Regiment (formed by merging the Ulster Defence Regiment and the Royal Irish Rangers). Troop levels are now the highest since 1979.

On the streets of Belfast and the country lanes of Armagh, there is a now a highly visible army presence. Random checkpoints are set up to make more difficult the movement of weapons and explosives. The incessant judder and whine of the round-the-clock helicopter patrol over Belfast, adds an Orwellian flavour to the city's already militarised atmosphere. Locals say they no longer notice it.

Mr Michael Mates, the new minister responsible for security in Northern Ireland, while fighting for more resources, is concerned that any higher level of troop presence could prove counter-productive. He says turning Belfast into a "fortress" would be to hand the IRA a propaganda victory.

Other considerations are cost and manpower limitations. The planned defence cuts in the armed forces will sharply deplete the number of regular army troops available for Northern Ireland. Already several battalions there are understrength and additional companies are having to be seconded in from the mainland.

Expenditure cuts are also being felt at the RUC. In his

'Public co-operation and understanding in this difficult task is crucial if we are to succeed'

annual strategy statement made at the beginning of the year the RUC chief constable Sir Hugh Annesley said "the uncertainty of future major capital expenditure and insufficient technical staff continue to be major problems".

With no blank cheque available to help bring down the level of violence, the security forces are therefore focusing their resources on improving their intelligence activities and in targeting the finance and munitions flows to the paramilitary organisations.

The RUC's new anti-racketeering squad claims to have had considerable success in drying up numerous sources of finance of both IRA and Loyalist paramilitaries in the past year, and new legislation is in the pipeline to make it easier for the police to investigate and prosecute businesses and organisations suspected of channelling funds.

The Libyans are under pressure from the United Nations to give hard intelligence to the UK government which might lead to a breakthrough in locating the remaining 100 tons or so of weapons supplied in the mid-1980s to the IRA, most of which is thought to be still hidden in the Irish Republic.

However, cross-border co-operation is improving and, significantly, Mr Mates and Mr Padraig Flynn, the Irish justice minister, met privately in Belfast recently, the first such meeting outside the formal structure of the Anglo-Irish talks.

A new area of concern is the sourcing of weapons from the former eastern European states which are undergoing fragmentation and civil war. "We are very much alive to the danger, but there is no evidence yet of any new arms supplies," a senior RUC source said.

The RUC views its intelligence-gathering operations through penetration of the paramilitary organisations as a priority area of its work. Sir Hugh said pointedly, in his strategy document: "Public co-operation and understanding in this difficult task is crucial if we are to succeed."

Equally as crucial are moves to improve liaison between the Army and the RUC. A new body called the Province Executive Committee (PEC) was established during the summer, which will co-ordinate intelligence gathering and sharing at the top level.

The PEC is chaired by Mr Blair Wallace, the deputy chief constable of the RUC. In principle the RUC is in charge of all security operations in Northern Ireland, including intelligence gathering. MI5, however, has run its own operations independently in the province for two decades, some of which have come under intense criticism for alleged involvement in Loyalist paramilitary activities.

Earlier this year MI5 was given overall responsibility for intelligence operations against the IRA on the mainland, replacing the Metropolitan Police Special Branch. This in effect confers and confirms a similar role for MI5 in Northern Ireland.

Tim Coone

Radical measures are required

Continued from Page 1

Dr Gudgin believes more radical approaches are needed. "Until we get off the current growth path, there is no prospect of any convergence with the mainland economy or our Community partners," he said. Northern Ireland's GNP per capita is calculated to be around 75 per cent of the rest of the UK, but at the upper end of the poorer regions in

It is acknowledged that Northern Ireland's high birth rate is a big problem

the community.

The NIEC calculates that if the EC were to continue its average annual growth rate of 3 per cent of the past five years, Northern Ireland would have to grow at an annual 5.4 per cent to achieve convergence over the next 15 years. But figures produced by Dr Gudgin's group show Northern Ireland's economy has rarely outstripped growth in the overall UK economy, and then only during recessions.

Inside and outside government, it is acknowledged that the province's high birth rate – one of the highest in western Europe – is a big problem.

Job creation programmes, industrial promotion and vocational training are all being actively pursued through various governmental agencies, some of them using EC funding, but Dr Gudgin believes this is not enough.

"If we had the same birth rate as the rest of the UK we would have the same unemployment rate. We have to create a highly skilled mobile workforce and increase the quality of labour, to give people the skills to find jobs."

He said a vocational training programme "to bring everybody up to A-level standard at vocational level" would create a different outlook for the province. Although A-level results in Northern Ireland are consistently higher than on the mainland, he says "only a third of students go on to A-levels. It is no good educating just half of the people".

There is little hope of funds being made available for such an ambitious programme though. Public expenditure is targeted at £7bn for 1992/93 and will rise by an average 2.4 per cent annually in real terms until 94/95. As a proportion of total UK public spending, however, it is declining, according to the NIEC.

A growing body of opinion believes that by giving the province autonomous powers and allowing it to work with the Irish Republic to negotiate the allocation of EC structural funds, a higher rate of growth could be achieved. Both parts of the island suffer similar structural problems but for 1989-93 structural funds allocated to Ireland were almost three times on a per capita basis those which were allocated to Northern Ireland.

Such an approach would clearly have to clear the hurdle of a political solution. But even those trying to sell Northern Ireland to the outside world, are frank in their assessment of the future if unemployment is not adequately tackled. Mr Billy Pinkerton, a DoE official administering the government's "Positively Belfast" campaign, said: "If we don't give the people of Belfast the dignity of employment or further education, someone is going to stick guns in their hands."

Tim Coone

NORTH/SOUTH TRADE

New links forged

Cross-border trade comparisons

1989	£m
Imports to the Republic of Ireland	
from Great Britain	4,538
from Northern Ireland	489
Exports by the Republic of Ireland	
To Great Britain	4,120
To Northern Ireland	776

Source: Central Statistics Office, Dublin

SUNBATHERS on Howth Strand in Dublin can look north on a sunny day and clearly see the mountains of South Down 50 miles away. There begins Northern Ireland.

If traffic conditions are favourable, it is a mere one-hour drive to the border. If they are not, which is more likely, it can take over three hours to cover the 100 miles to Belfast – the same as the ferry trip to Holyhead across the Irish Sea, and the British market lying beyond. The train journey takes two-and-a-half hours, while an airline service simply does not exist.

The underdeveloped transport links between Northern Ireland and the Republic are always a surprise to the newcomer arriving from another European city. No two cities of comparable size and separation elsewhere in northern Europe now lack the high speed road, rail and air links that are vital to successful trade and commerce in the competitive environment of the 1990s.

It should be of no surprise therefore, as the EC moves towards the completion of the Single Market, that this geographic anachronism – a result of the 70 years of political distrust and antagonism between the two parts of the island – is finally coming under scrutiny, as is the entire subject of north-south trade.

The Confederation of Irish Industry (CII) calculates that manufacturers in the south sell only one-third as much per capita in Northern Ireland as they do in their home territory in spite of the proximity of the market. Manufacturers in the north, meanwhile, sell only one-sixth as much per capita in the south as they do in Northern Ireland. Only 5 per cent of the south's total exports go to the north, while the north supplies only 4 per cent of the south's imports.

The possibilities for enhanced trade would seem to be considerable. According to the CII, a total of 75,000 additional jobs on both sides of the border could be achieved by exploiting more fully the market potential within the island of Ireland.

It is a theme to which politicians north and south are increasingly warming. In May, amid much fanfare, Mr Albert Reynolds, the Irish prime minister, launched a 200-page government study on cross-border economic co-operation. The central message of the study is this: "In an increasingly integrated Europe, the costs of the current one-island/two-economy basis of operation will have an inhibiting effect on economic progress."

In a keynote speech in July, Mr Robert Atkins, Northern Ireland's minister for the economy and environment, echoed Mr Reynolds' views. He pointed to growing links between business federations on both sides of the border and the challenge of the European Single Market. Such developments, he said, "add up to a fundamental change in circumstances and open up the real prospect of a quantum change in the economic relationships between Northern Ireland and the Republic".

Both governments have made commitments to upgrade the road and rail links between Belfast and Dublin.

Infrastructure will not be sufficient in itself, however. The fact that around 20 per cent of the Republic's foreign trade is already transported across the border for onward consignment by road to Britain and Europe, suggests that infrastructure is not necessarily a limiting factor to improved north-south trade.

Some are also highly sceptical of the CII's estimate of 75,000 additional jobs coming from improved trade. Dr Graham Gudgin, the director of the Northern Ireland Economic and Social Research Centre (NIESRC), says that a recent survey based on 870 Northern Ireland manufacturing companies, accounting for 80 per cent of manufacturing employment in Northern Ireland, found that two-thirds of these firms are already involved in some trade with the Republic, and that Northern Ireland firms already export three times more on a per capita basis to the Republic than they do to mainland UK.

"I am sceptical of large short-term gains but I support the efforts to improve trade," said Dr Gudgin. "We certainly should increase trade to increase long-term competitiveness but we should not create over-optimistic expectations. Greater trade and access to each other's market means job losses as well as gains."

Of immediate benefit, however, will be the plan by the two governments to establish a joint tender information system, whereby firms on either side of the border will be invited to tender for contracts of both governments.

The creation of a new database detailing all the manufacturing firms in the island of Ireland, their products and capabilities, will be made available to the public, possibly next year. Joint trade fairs and roadshows are also planned.

Such initiatives will never, independently of the EC process of integration, result in Northern Ireland's economy becoming as integrated with the Republic as it is with the rest of the UK. Wage bargaining systems are different, and the fiscal structures and public expenditure programmes remain independent of each other. But that is not the primary goal.

In the words of Mr Atkins, "the benefits of increased cross-border trade will go beyond the purely economic. The more contact people in both parts of Ireland have with each other, and the more they see their interests bound up together, the more likely it is that understanding and tolerance will grow".

Tim Coone

PROFILE: MICHAEL MATES

Ex-soldier uses political instinct

WHEN Mr Michael Mates was appointed to hold the security portfolio at the Northern Ireland Office in April, hopes and apprehensions were stirred in equal measure on the two sides of the religious divide in Ulster.

A former lieutenant-colonel in the Queen's Dragoon Guards, Mr Mates is no newcomer to the province, having served there with his battalion in the early 1970s when the "troubles" were at their peak. His 20-year military career saw him serve in Germany and Cyprus as well as Ulster and finally brought him on to the team of the Vice-Chief of Defence Staff at the Ministry of Defence, before he entered politics as a Conservative MP in 1974.

For the Ulster Unionists, Mr Mates' appointment to oversee security in the province was a signal that their appeals for a tougher stand against the IRA had been heard. An ex-soldier/politician would be more amenable, so they thought, to their insistence that selective internment and covert operations must become the new weapons with which to break the back of the IRA.

The SDLP and the nationalist community were meanwhile apprehensive that such a "get-tough" policy would sweep away much of what had been achieved in recent years through painstaking work in trying to reduce tensions in the Catholic community and simply fuel a new recruitment drive for the IRA.

On appearances alone, Mr Mates' burly frame and defiant paratrooper's jaw would suggest that the Unionists might have cause to celebrate. His political instinct, however, has been honed by almost two decades in parliament. Since winning Petersfield for the Tories in 1974, Mr Mates has become a familiar sight in Westminster corridors and committee rooms.

He has been secretary of the Conservative parliamentary Northern Ireland Committee from 1974-79, its vice-chairman from 1979-81 and is currently the chairman of the all-party Anglo-Irish parliamentary group. He has also been secretary of the influential 1922 backbench committee in the Conservative party, and chairman of the Conservative Home Affairs Committee.

He has sat on the Commons Select Committee on Defence since its formation in 1979 and been its chairman since 1987. In the latter role, he has been critical of the government's plans to cut the British Army strength from 156,000 to 116,000 by the mid-1990s and from his new vantage point in Ulster, he can be expected to argue even more forcibly against the cuts.

An ally of Mr Michael Heseltine, Mr Mates was passed over numerous times for ministerial appointment during the Thatcher years. So after nearly two decades on the backbenches, he now has the first opportunity to prove his ministerial mettle.

"This is the biggest challenge of my career," he said. "I am here to do things and I feel I can get on and do them. There is an urgency and vibrancy here where events often require immediate action and decisions."

There will be no headlong rush for a military solution to the province's problems, however. "There is no question of a military victory against the IRA. The only way to defeat them is by a combination of economic, social and political development and in the meantime we have to redouble our efforts to contain the violence," he said.

Significantly, Mr Mates also holds the finance portfolio at the Northern Ireland Office, making him responsible for the allocation of its entire £7bn budget. Does not that put him in the role of both gamekeeper and poacher? "We have to ensure that health, education and housing and the like have their share but we can't compromise on security."

Some business leaders and politicians believe the government is indeed compromising on security – a view reinforced in some minds by Mr Mates' recent statement that it is "impossible" to stop the bomb attacks in Belfast city centre. He is unrepentant. "The IRA wants to make life intolerable. I want to make it tolerable. We could easily put a cordon around Belfast, but in doing that the IRA would have achieved its objective."

Mr Mates thus sees his job as one of ensuring the security forces are adequately resourced to contain and weaken the paramilitaries while the province's politicians thrash out a solution. As chairman of the Commons Select Committee on Defence, he is acutely aware of the budget restraints facing the armed forces and the restraints that this places upon Northern Ireland's security policy.

"I do not want to see British soldiers in the streets and countryside of Northern Ireland any longer than they need to be. The day I can send a battalion home I shall be very happy, and when I can send two battalions home I shall be even happier."

Tim Coone

Britain's brightest students are using their skills on the mainland

'Brain drain' worries region

NORTHERN Ireland produces some of the brightest academics in Britain. However, few of them stay on to play a part in revitalising the country's most economically depressed region.

While pupils in Northern Ireland achieve higher marks than pupils elsewhere at A-level, one third of those who go on to higher education each year do so, not in local universities, but in the rest of Britain.

"Many of them are our science and technology 'high fliers' and many do not come home to pursue their careers and play their part in economic regeneration and social progress," Lord Grey of Naunton, Chancellor of the University of Ulster, said at a summer graduation ceremony this year.

"This is our own 'brain drain' and is not something which Northern Ireland – which relies so much on its indigenous human resources as opposed to mineral wealth – can afford," he said.

A recently qualified first class honours graduate at the ceremony summed up his feelings: "There is limited scope for me in Ulster. I don't particularly want to leave the province but from a career point of view I've got little alternative. Obtaining a degree does not guarantee me anything."

Education standards compare favourably with those of England and Wales – 26.3 per cent of Ulster pupils achieved two or more A-levels in 1989/90 compared with 20.1 per cent in England and 17.4 per cent in Wales.

Just over 27 per cent of 18-year-olds in Northern Ireland enter higher education compared to just over 19 per cent in the rest of Britain, according to figures for 1990/91.

At the other end of the attainment spectrum, however, the position is disturbing. More pupils leave school without a qualification of any kind in Northern Ireland than in any other region of Britain.

Roman Catholic teenagers are more likely to be in such a position. A report commissioned by the Standing Advisory Commission on Human Rights identified a "significant minority" of Catholic schools where a high proportion of male school leavers are unqualified.

The latest statistics show that almost 16 per cent of Catholics leaving have no qualifications. Social and economic disadvantage allied to low self-esteem have been cited as possible factors in the poor performance.

Two new Catholic schools are to be built in Belfast and Londonderry at a cost of £8m. The schools will provide 15,000 places and will address the shortage of places for Catholic pupils.

'I don't want to leave the province but from a career point of view I've got little alternative'

Education in Northern Ireland is undergoing radical change with the reforms reflecting the particular needs of the province. The government encourages educating Protestant and Roman Catholic children together, although it is not policy to impose integrated schools on parents.

Several integrated schools at primary and secondary level have been set up and more are in the pipeline but, while an important area, it remains small in terms of total pupil enrollment.

The aim of the reform programme in Northern Ireland is to provide a system which can raise standards and give parents a wider choice.

Unlike the rest of the UK, Northern Ireland maintains the 11-Plus tests whereby a place in grammar or secondary school depends largely on a pupil's performance in two of mental agility tests.

The new examination structure marks a shift towards continual assessment and will test children at the ages of eight, 11 and 14. It means that next year thousands of Ulster children will face a three day examination on top of the controversial 11-Plus tests.

Primary seven pupils will be sitting new exams in English, maths and science in February, just three months after the 11-Plus tests.

While the 1993 tests are a dummy run before they become official in the 1993/94 school year and replace the 11-Plus, educationalists have voiced fears that, if the results of the new tests differ substantially from the 11-Plus exams, public confidence in the new system will be undermined.

While anything which does away with the pass-or-fail syndrome system of the 11-Plus will be generally welcomed, teachers unions argue that, if the assessment is to be completed within working hours, it will be at the expense of teaching pupils. Teachers, they say, are already overstretched, under-valued and leaving the profession in large numbers.

But the government says the changes will help maintain Northern Ireland's reputation for good quality education. Current education spending, at just over £1bn a year, represents a rise of 21 per cent in real terms over the past 10 years.

However, the IRA's campaign has thrown up added problems for many schools. Last year the cost of criminal damage and injury claims arising from concerted bombing attacks on commercial targets led to a moratorium on public spending.

Although the temporary spending freeze was lifted in April, a number of important school projects were delayed.

Jim Flanagan

Co-operation North aims to bridge the social and cultural gap

Sleeping with strangers

A PROBABLE reaction of a Catholic teenager from Dublin being asked if he or she would like to spend a fun weekend in a Loyalist area of Belfast would be: "Thanks. I'd rather a have week in Sarajevo." A similar reaction might come from a Protestant youth being encouraged to spend a weekend on the Falls Road.

Nonetheless, increasing numbers of teenagers, in Northern Ireland and in the Republic, are being asked to surrender the security of their own communities for a few days and live with a family in the "enemy" camp, in a programme of school and youth exchanges promoted by an organisation known as Co-operation North.

Established in 1979, by a group of leaders in business, trade unions and academic life on both sides of the border, the non-denominational body defines its mission as: "To change attitudes by promoting practical co-operation between the people of Ireland, North and South, so that people respect each others' traditions and achieve greater levels of economic, social and cultural co-operation."

In 1986, the schools and youth exchange programmes were initiated, and 10,000 teenagers each year are now involved in sporting, school and cultural projects in which Catholics and Protestants mix and learn to overcome some of the prejudices they have grown up with.

Such a programme would not seem extraordinary, or even necessary on the British mainland. But in Ulster – where Catholic neighbourhoods are often separated from Protestant neighbourhoods by high fences or corrugated iron walls and where most children go to a school of their own faith – there is an all-too-clear need for such an initiative.

Co-operation North sees its role as falling into the category of "Track-two diplomacy", a term coined by two US academics in the early 1980s in a study on diplomacy and conflict resolution.

The theory is to encourage informal, unofficial contact between members of adversarial groups in a structured and systematic way. By targeting sports clubs, youth groups, schools and workplaces, a wide range of people in both communities are brought together, the ultimate aim of which is gradually to shift public opinion from being bigoted and prejudiced, to one of tolerance.

The theory is to encourage informal contact between members of adversarial groups

This facilitates the official "Track-one" diplomacy, carried out by the political leaders, who can be encouraged to take bolder initiatives at the negotiating table if they are aware that their constituents are more likely to be receptive to them.

In Northern Ireland's case, there is still clearly a long way to go, but measurable progress has been achieved and efforts are being made to expand the scope of Co-operation North's work.

An independent study commissioned recently by Co-operation North, found that, as a result of the exchanges, attitudes did change in a positive direction, but also noted that most of the teenagers participating in the school exchange schemes were primarily Catholic and from middle and upper class backgrounds.

A spokeswoman for the organisation in Dublin said: "The study has helped us to focus more clearly the groups we need to reach and we are now in the process of broadening and extending our work to the more disadvantaged communities of both denominations".

The EC, and the British and Irish governments have strongly endorsed the work of Co-operation North, and between them provide around 25 per cent of the organisation's annual £1.5m budget.

In its last annual report, Co-operation North noted that "to attain the critical mass estimated as necessary to achieve a large-scale impact on the situation, Co-operation North believes that its required annual budget would need to be £2.5m. It is quite clear that the organisation will have to move from an annual fund-raising strategy to the establishment of an endowment fund and more permanent funding arrangements with its institutional and corporate donors".

The balance of the organisation's funds presently come from donations, fund-raising activities and contributions from the International Fund for Ireland. Most of the major corporations north and south of the border are already supporting the organisation with regular donations.

Tim Coone

Unions say privatisations will hit the consumer in the pocket

Hackles rise over sell-offs

PRIVATISATION reached Northern Ireland later than it did the rest of Britain. The process of transferring government-owned companies and public utilities to the private sector only got going just over three years ago.

The management-employee buy-out of Harland and Wolff, the Belfast shipbuilder and the sale of aircraft and missiles manufacturer Short Brothers to Bombardier, Canadian transportation giant, signalled the start of privatisation in earnest. In spite of fierce trade union opposition, the sales were completed and saved the UK government from paying substantial annual subsidies to keep the businesses afloat.

While privatised companies have not had it easy since then, Harland has a reasonably healthy order book and Shorts, the region's largest private company, was profitable enough two years ago to enable a dividend to be paid on shares for the first time in years.

Successful transfers to the private sector encouraged the government to press on with its timetable.

The first part of the privatisation of the electricity industry was completed with the sale of the province's four power stations to British Gas, NIGEN (an American/Belgian consortium) and a management-employee buy-out team.

However, completing the flotation will not be so easy. Last week Mr Robert Atkins, the province's economy minister, unexpectedly announced that the flotation of the transmission, distribution and supply business of Northern Ireland Electricity (NIE) – planned for November – would be postponed. Mr Atkins said a number of outstanding matters needed to be resolved, the most important of which related to the funding of a proposed interconnector to Scotland. NIE and Scottish-Power reached agreement on the £200m interconnecter project earlier this year, and the government is believed to be seeking about £70m from the European Commission towards the cost of construction.

Unions argue that, as well as leading to large scale redundancies, the sale will hit consumers in the pocket. The Federation of Unions Supplying Electricity believes the provision of an efficient service will be secondary to the requirement to keep shareholders happy by making profits.

The government dismisses such fears and says legisation will be introduced to protect consumers.

While the power industry sell-off is almost complete, another project in its early stages is already causing concern. The privatisation of water and sewerage services in Northern Ireland has set alarm bells ringing, although it is not taking place for another three years. Opponents point to experience elsewhere in the UK where bills have been rising.

Two months ago, Sir Patrick Mayhew, Northern Ireland Secretary, revealed that the government was dispensing with a plan to transfer the Department of the Environment's water and sewerage functions to a government-owned company before privatisation. The new proposal will take the services directly into the private sector in 1995/96, earlier than would otherwise have been the case.

The government dismisses union fears and says legislation will be introduced to protect consumers

A customer billing system for water and sewerage will have to be introduced. Since domestic water charges are currently included in rates charges in Northern Ireland, the changes mean the calculation of the regional rate will have to be adjusted.

The Northern Ireland Public Service Alliance (NIPSA) which represents 1,200 employees in the water industry, is angry at the sell-off proposals.

Mr Sid McDowell, NIPSA deputy general secretary, said: "Experience in England clearly shows that farming, industry and other commercial interests will face substantial increases in water charges. Northern Ireland will suffer those charges over a much shorter timescale than in England."

One of the big concerns is just who will pay the £500m being spent in the province over the next eight years to bring Ulster's water and sewerage facilities up to EC standards. Mr McDowell has no doubts about where the money will come from: "Years of failing to invest in the water industry means that the vast amounts of money needed to make good that negligence will now be found by privatising and shifting the burden from the taxpayer to the consumer."

The General Consumer Council for Northern Ireland has called for a system of strict, independent regulation.

Several other privatisations are in the pipeline. Northern Ireland Airports, which runs Belfast International Airport, is to be transferred to the private sector and a study has been commissioned on introducing a private element into the management and operation of Northern Ireland Railways – either in its entirety or on certain routes.

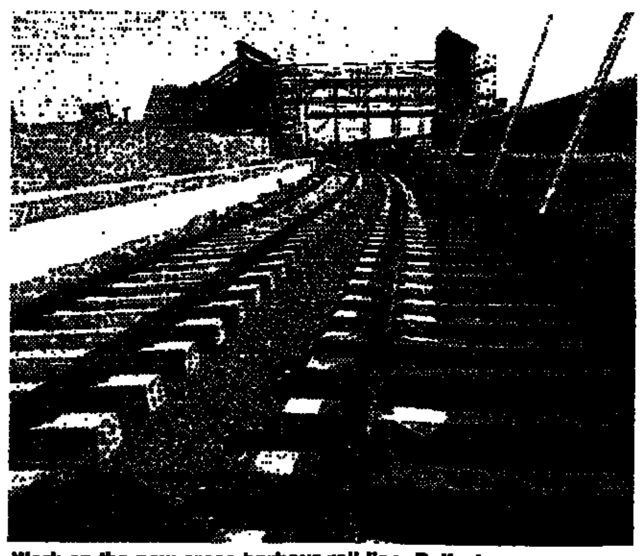
Legislation on compulsory competition tendering is also to be introduced affecting all 26 of Northern Ireland local authorities. Councils will have to put out to tender their main services, such as refuse collecting and street cleaning. Again the unions say the cost will be a poorer service and job losses as companies vie for the work by under-cutting each other.

In spite of the oppositon, however, there seems little chance of turning back the tide of privatisation. As one senior civil servant put it: "The philosophy is enshrined in government policy. The sales will continue and the question is no longer whether to move to the private sector but how."

Jim Flanagan

TRANSPORT AND TELECOMS

Breaking out of isolation



Work on the new cross-harbour rail line, Belfast

NORTHERN Ireland has moved transport and telecommunications rapidly up its economic agenda. There are pressing reasons for it to do so.

As well as its peripheral position within Europe, the EC's commitment to creating new transport links between Europe and the Republic of Ireland – the only country not joined to the EC by road or rail – after the opening of the Channel Tunnel will have important effects on the province's ports, particularly Larne, Ireland's main roll-on, roll-off (ro-ro) harbour.

About a quarter of Larne's freight traffic either comes from or is going to the Republic of Ireland.

The short crossing to Scotland – from Larne and Cairnryan – is the favoured route of road hauliers heading for the rest of Britain and on to Europe.

A General Consumer Council report, written last year by transport studies professor Austin Smyth from the University of Ulster, suggested that improvements to the region's transport system should be viewed in a Irish single market context.

"Pursuit of the local interest in either Northern Ireland or Eire will only reinforce our problems of relative accessibility," Professor Smyth says.

The report made a number of recommendations aimed at countering perpherality. Professor Smyth's suggestions include more direct air services from the province to continental destinations, the upgrading of the A75 from Stranraer to the M6 to improve travelling times to England and continued improvements to Ulster's ports allowing them to maintain their competitive edge.

Another recommendation – the use of high-speed catamarans – has become a reality with the introduction of the 90-minute SeaCat Belfast to Stranraer service in June.

Hoverspeed, the Seacat operator, says passenger numbers are ahead of schedule and claims Belfast traders have benefitted from an increase in Scottish visitors.

Increased trade is one of the most important factors behind the drive to improve cross-border transport.

In 1991, Belfast Port had a record trading year with a 6 per cent increase, bringing the total number of goods handled to 9.4m tonnes.

About 50 per cent of the port's total throughput is now accounted for by ro-ro and lift-on, lift-off container traffic.

The increase came as a result of the addition of a third ship on the Belfast to Heysham service, the decision by Railfreight Distribution to channel all its Irish container traffic through Belfast and the introduction of a new Belfast to Liverpool ro-ro service.

European links have also been strengthened by the introduction of a new container service to Le Havre and the provision of large ships on the Rotterdam and Oslo routes.

Increased trade is one of the most important factors behind the drive to improve cross-border transport

More than 55 per cent of Ulster's seaborne trade is now shipped through Belfast Port, which is undergoing a 10-year capital expenditure programme of over £100m, aided by EC grants.

Measures, it would seem, are having some success. Last year, the Department of the Environment's digest of statistics summarising transport trends in the province found domestic freight on Ulster roads – regarded as one of the least congested systems in the UK – had increased by 77 per cent between 1987 and 1990.

The report also said transport at Northern Ireland Airports, which runs Belfast International Airport and which has invested heavily in the airport, had increased by 20 per cent – scheduled and chartered movements growing by 19 per cent and 25 per cent respectively.

Between 1985 and 1990, Belfast City Airport had the highest growth rate in Britain in terms of terminal passengers.

The Northern Ireland Centre in Europe – the province's gateway to the European Commission – has been lobbying hard for a Brussels-Belfast air link.

Work in progress includes the building of Belfast's new cross-harbour road and rail bridges which will significantly reduce travelling times between the north and south of Ireland.

The Commission has also been involved in a study into the costs of upgrading the main Belfast to Dublin rail line.

The modernisation of the line, which should lead to faster journeys between the capital cities, will cost over £65m.

Although Northern Ireland had one of its worst ever years for inward investment last year, the province received 130 first-time visits by companies interested in investing in Europe.

One of the main attractions for such potential investors in Northern Ireland is the province's telecommunications network – one of the EC's most advanced.

Over the past five years British Telecom has invested around £200m in the local telecommunications infrastructure.

In addition to the computerisation of the province's telephone exchanges, the European Commission has invested £7.25m under its Special Telecoms Action for Regional Development (Star) programme, designed to help Objective One regions – those most in need – to improve communications links.

The result has been the completion of a world-leading fibre-optic telecommunications infrastructure linking even the more remote areas of the province.

The existence of such an advanced network has had an important effect on the local economy. With distance eliminated, work can be carried out far from its original source. This has led, for instance, to London directory inquiry calls being answered in Northern Ireland and Ulster civil servants working on social services claims from the Home Counties.

This has meant the creation of jobs. Of the 430 jobs lobbied for by the Industrial Development Board last year, 350 were such "back office" posts which did not require public financial assistance. Figures for 1990/91 are even more striking, with over 1,000 jobs created involving investment of £25m in buildings and equipment and £10m in wages.

In July, Mercury Communications landed its telecommunications cable in Northern Ireland. Mercury has spent the past five months installing underground cables to make the final link-up from Northern Ireland to the rest of Britain. The cable has been laid via the Isle of Man where there is a repeater unit boosting the telecommunications' signals to or from the province.

In spite of recent transport and telecommunications advances, local business people are aware of the difficulties posed by geographic isolation – they have had to live with the additional costs for years.

Jim Flanagan

PEOPLE

Ellis takes on Wang UK

Rick Ellis, a New Zealander in his early 40s, takes over as head of Wang UK this week. He follows in the footsteps of such illustrious predecessors as Ian Diery, now in charge of of Apple Computer's global marketing, and Alan Davis, whose move to Ascom Timeplex created the vacancy Ellis is filling.

Ellis has been with Wang for nine years and has held a number of senior management positions, ending up as general manager of the troubled mini-computer manufacturer's New Zealand subsidiary.

Wang UK is a frustrated company these days. Wholly owned by its US parent which is now languishing in Chapter 11 of the US bankruptcy code after years of losses, it has managed its own business rather well and has proved to be Wang's most successful overseas operation. Last year it was profitable on a turnover of £96m in the worst recession the UK computer industry has experienced.

It will be a big change for Ellis but he says he is looking forward to it. Last year, the New Zealand company turned over only $45m and he will find himself dealing with some of Europe's largest companies. Ford, for example, has shrugged off worries about Wang's future to place a $1m order for mid-range computers - IBM machines, that is, with a Wang badge on the front.

Midland's Goldthorpe retires

Midland Bank executives hoping that the integration of their bank with its new parent will proceed painlessly must be dismayed to learn of the sudden resignation of Brian Goldthorpe, 59, deputy chief executive and a director of both Midland Bank and Hongkong Shanghai Banking Corporation.

Goldthorpe's retirement after 43 years with Midland (he started at the bank's Barnsley branch when he left school at 16) was made solely on health grounds after advice from his doctors.

His abrupt departure robs the group of the most senior survivor from the old days in Midland who has also worked closely with HSBC since the two banks struck up their alliance in 1986 and who was expected to play a key part in their integration. Goldthorpe joined the HSBC board last May when Sir Kit McMahon resigned.

His departure also creates gaps in other parts of the Midland Group; he was chairman of Forward Trust Group, the group finance house, and the Midland Bank Pension Trust.

The Lancaster University Management School is fast becoming a forum for the leading lights of London's advertising and design worlds.

The vociferous design consultant Wally Olins - currently at work on a book which explains why companies don't understand design took up a visiting professorship there in June.

Joining him now as another visiting professor is Winston Fletcher (left), chairman and eponymous co-founder of Delaney Fletcher Slaymaker Delaney and Bozell.

(One of the lingering curiosities of the advertising world is why the agency has not yet shortened itself to an acronym as have many others...)

Like a number of advertising colleagues, *Fletcher is clearly a man of* great energy. He adds his new academic life to his agency work, his role as director of the Central London Tec, his trusteeship of the Open College of Arts, his weekly column for The Times, and his fellowship of the Royal Society of Arts.

Fletcher says "teaching at a first-class management school is often as beneficial for the teacher as it is for the taught." His first management lecture could understandably be on the theme: "The prioritising of working time."

Electronic switches

■ Lawrence Webb, md of Integral Network Systems and of Integral Ltd, is promoted to md of INTEGRAL Europe.
■ George Wallace has been appointed director of NCR's retail systems division in succession to Brian Biggs.
■ Alistair Forbes has been promoted to director and general manager for THORN EMI Business Communications.
■ Richard Parkinson, formerly general manager UK and northern Europe, has been promoted to director of European operations for EMULEX.
■ David Parsons, previously director of professional services at Pansophic Systems International, has been appointed UK md of MARCAM.
■ Mike Fabian, formerly regional manager with Comtext International, has been appointed md of COMWAVE in the UK.
■ Garrick Fraser (below) has been appointed director of commercial and public services division at UNISYS Ltd.

ARTS

Opera/Max Loppert

Elektra

Welsh National Opera last mounted Strauss's opera more than a decade ago. The production, by Harry Kupfer, was set in a slaughterhouse, steeped in blood, and resonant – hysterically shrill, some felt – with "political" overtones. It caused a stir. Now, the company have turned to David Alden (of, inter alia, Scottish Opera *Wozzeck* and ENO *Mazeppa*, *Boccanegra* and *Masked Ball* fame) for the new *Elektra* that launches their '92-93 season. Will it do the same?

The approach is neo-expressionist. The opera is, according to an Alden interview in the WNO programme, "actually an expressionistic reduction of realistic situations into a dreamscape of one person's psychology". To create that dreamscape he and his regular design-partner (formerly known as David Fielding and now, mysteriously, as Paul Bond) have rushed to their trunk of modern opera-production clichés and tipped its contents all over the Cardiff New Theatre stage.

It's all there: the angled stage, the dangling light-bulb (growing bright at significant moments) on a long cord, the shiny surfaces in black, gun-metal and white, the hard planes of light (by Wolfgang Göbbel), the chairs, the disconnected recourse to unusual props – at one point Electra hauls a mattress on to the stage, at another a standard-lamp with a large lampshade – the writhing on the floor, the weirdo postures and face-pulling.

In addition, the team have shown no hesitation about drawing on the stock of modern *Elektra*-production clichés of other provenance where they have felt in danger of running out themselves. Poor old Chrysothemis is once again a Marilyn Monroe-epigone in a slinky white petticoat, Clytemnestra a svelte matron in a glam off-the-shoulder number, with a troupe of sadistic-chic attendants who at one point bring on the syringe for her regulation shoot-up.

Alastair Muir

Janet Hardy as Elektra and Ralph Hamer as the old servant in WNO's production of Richard Strauss's opera

What's wrong, it seems to me, can be briefly summed up: a terrible shortage of fresh, stimulating, surprising dramatic imagination at work in the production. The idea that the opera is a psychodrama in the head of its titular character, or that the three types of feminine response to its central crisis are part of a larger, psychologically-linked family pattern, is itself not contemptible; one could have many a lively discussion about it (possibly, indeed, with one's own psychiatrist).

But as evidenced here there is a depressing staleness about the execution. This is in stark contrast to, say, the Alden-Fielding *Masked Ball*; and the effect, far from bouncing illuminating new reflections off the score, is to reduce its range of *Affekt* to a series of predictable bugaboo gestures. This is *Elektra* presented as the opera's and the composer's most persistent detractors might see and hear it.

On Saturday, though, the performance was saved from complete ignominy by the tireless devotion, musical authority and sheer guts of its three leading females (in comparison, the men are even more overshadowed than usual). Janet Hardy, an American Electra already well-known across Europe, sings with cleanly cutting strength and absolute confidence – there may not be much beauty in her tone, much variety or depth in her musicianship, but she delivers the goods with a refreshing avoidance of calculation or physical cranking-up.

Eva Maria Bundschuh, a German soprano of old-fashioned (in the best sense) vocal warmth and honesty, makes a far more robust case for the validity of Chrysothemis's line of argument than Alden deserves. Best of all, there is a simply tremendous Clytemnestra from Felicity Palmer, every note and word socked into place with an attack that is fiercely dazzling – one looks forward to encountering her in a production more fully worthy of her. Among the maids the sweet, full soprano of Alwyn Mellor (the fifth) stands out.

Carlo Rizzi, new WNO chief conductor, undertakes his first Strauss opera. There is much shapely playing, much concern for verbal clarity, much tingling vitality in the orchestration. What is so far missing is any directorial knack of joining musical sentences into dramatic paragraphs. Rizzi's is a stop-start reading – and, in view of the staging deficiencies, doubly unfortunate.

In WNO repertory until December 5.

Architecture

Mercy for Holmwood

Colin Amery pleads the cause to save Alexander Thomson's greatest domestic building

Alexander "Greek" Thomson (1817-75) was a leading architect in Glasgow in the middle years of the 19th century. He worked mainly in his own version of the neo-classical style which time has shown to be, not only extremely original, but also of considerable European significance.

Although he is a very remarkable product of Scotland, in many ways Alexander Thomson is a forgotten architect. He never travelled outside the British Isles and remained very insular as a character. Yet his architectural achievements, which are confined to Glasgow and its immediate surroundings, are of the highest imaginative quality.

Thomson, in his original interpretations and developments of classicism, reminds me of Nicholas Hawksmoor (1661-1736), another insular non-traveller. What Hawksmoor and Thomson have in common is their own imaginative interpretation of the Ancient Classical world.

So Thomson is an architect who should not be forgotten. I have written before about the important work of The Alexander Thomson Society, which was recently founded by Dr Gavin Stamp and others in Glasgow. This Society now has an urgent case on its hands. It has already done sterling work in its campaign to make the work of Thomson at least as familiar as that of Charles Rennie Mackintosh – Glasgow's other much praised native architectural son. The urgent case they are now quite rightly promoting is that of Holmwood, the finest house designed by Thomson.

Holmwood is a villa set in a Loudonesque sylvan setting. It stands on the southern edge of the city of Glasgow, next to a scenic bend on the river Cart. It is a Grade "A" listed building and is, to my eye, one of the most original neo-classical villas in the world.

It is almost in the same league as the Court Gardener's House in Potsdam by Karl Friedrich von Schinkel – but possibly even more original and daring. We know that Thomson was much influenced by Schinkel and that he possessed the engravings of much of Schinkel's work. Thomson built Holmwood in 1857-58, after his famous Double Villa and none of his subsequent domestic work is of such interest.

In 1958 Holmwood was purchased by the Sisters of Our Lady of the Missions, who erected school buildings on land behind the house. The convent school closed last year and the Alexander Thomson Society started to campaign for the house to be acquired for the public realm and restored and opened.

Holmwood should be the turning point for the public appreciation of 'Greek' Thomson

The National Trust for Scotland immediately saw the point of the house, both as an important aesthetic monument and as a very positive addition to its architectural portfolio.

There are still some handicaps to be overcome. In 1990 a property developer, the Carvill Group (UK), acquired an option to purchase the whole Holmwood site, subject to securing planning permission to build in the grounds. This unwise and unfortunate situation has led to elaborate negotiations between the developer, The National Trust for Scotland, Historic Scotland, and the Planners of Glasgow District Council to find a compromise solution that will allow the house to be preserved with as little intrusive development as possible.

The debate about planning consent naturally affects the value of the house to the Sisters of Our Lady of the Missions and the need to debate the planning consents adds the risk of lengthy delays. So the situation is urgent. Vandalism has already begun – the empty school buildings have been set on fire and the Sisters are having to employ security guards at considerable expense.

The National Trust for Scotland is hoping to make a decision about acquiring and restoring Holmwood early in October. The National Heritage Memorial Fund, under its energetic new chairman, Lord Rothschild, has already visited Holmwood and shown considerable interest and willingness to help.

There is an urgent need for a final push by all the parties concerned to reach a sensible deal that is not based only on commercial considerations. There is enormous goodwill in the air – perhaps greater public awareness at this stage will help to force some conclusive action.

What is so special about Holmwood? It represents the peak of Thomson's domestic invention. It is a pioneering and creative piece of architecture that is moving and beautiful to see. In its strange abstraction it points towards much modern architecture and to the work of Frank Lloyd Wright.

All this ingenuity comes from an architect who was a practising Grecian at the same time as Scott, Pugin and Ruskin were preaching their Gothic triumphs.

His churches in Glasgow – the Caledonian Road Church and the Vincent Street Churches – are even more remarkable, bringing Egyptian and Indian elements into their designs. One is a burnt ruin and the other is worryingly insecure – both belong to the City council.

Holmwood should be the turning point for the public appreciation of "Greek" Thomson, a European creative genius yet to be fully recognised.

Theatre/Alastair Macaulay

Valentine's Day

Bernard Shaw said that, in writing plays, his dramaturgical models were Mozart's operas. Maybe that's why his plays are so often (against his will) on the cusp of becoming musicals. But not every Shaw play turns into song as well as *Pygmalion* (or *My Fair Lady*). There is plenty going for *Valentine's Day*, which – first staged last year in Chichester – is a musical version of Shaw's *You Never Can Tell*. (It has Shaw's dialogue, for one thing.) What it chiefly lacks is music; music, that is, memorable enough to put Benny Green's clever lyrics on wings. Everything the composer, Denis King, does is accomplished, derivative and forgettable.

Still, there is Edward Petherbridge, as in Chichester, playing William (or Walter) the white-haired waiter, and he is a wonder. He sings on the frailest thread of voice, he dances in brief little spurts of low-key energy, and yet he has the musicality and the wit to make his numbers entrancing. William, a wistful observer of other people's acts, a model of tact, is a perfect Petherbridge role. The new ingredient, which stops it from being just *another* Petherbridge role, is a secret glee. Each of his songs starts to turn into his own happy fantasy. What he gives you is not wonderful song or dance but – more touching and funny – William's pleasure in song and dance; the side of William that might have performed in music-hall.

William, however, is just on the sidelines. *Valentine's Day* is about male-female relations. The plot concerns two couples – the middle-aged couple, Crampton and Mrs Clandon, who separated long ago; and the young adult couple, Valentine and Gloria, who meet in the first scene and who fall in love. Gloria, daughter to Crampton and Mrs Clandon, is the central figure. She is the emancipated modern woman, poised ready to conquer the forthcoming twentieth century – until love confuses her and stops her being a heroine all the time. As she comes to terms with herself, so she comes to terms with both her parents – the mother who has raised her to be exemplary and independent, and the boorish ordinary father whom she has only just re-encountered after 20 years.

It's a good plot, but King's music and Green's lyrics make it too diffuse. Gloria, in particular, is given too little prominence. Only late in Act Two – and then because of Shaw's dialogue rather than song – do you feel the charm of her dilemma, as this latterday Diana the huntress descends from her pedestal and dwindles into a wife. Teresa Banham's performance has far more spirit and animation than Fiona Fullerton's had in Chichester – though she could carry herself with more perfect nobility. And she sings well. Something about her happy bewilderment as she finally agrees to love is truly moving. Too bad that the show doesn't make more of her role. Likewise the role of her mother, Mrs Clandon, is better taken now by Elizabeth Counsell (looking like Marcia Falkender) than it was by Judy Parfitt; but the part itself seems less important now. For Alexander Hanson as Valentine – manly, energetic, engaging – every praise.

The director is Gillian Lynne, and she is responsible for the best and worst features of the show. It is she who gives William such good dance material; and indeed almost all the choreography is good (echoes of Ashton's *Facade* and *A Wedding Bouquet*). But it is also she who has the chorus of waitresses and servants perform with such wretchedly bright-eyed cuteness. As Petherbridge shows, less is more.

The Globe Theatre, London

Alastair Muir

Edward Petherbridge

Obituary

Geraint Evans

The Welsh baritone Geraint Evans died in hospital at the weekend following a heart attack. He was 70. A favourite of audiences at Covent Garden for more than 35 years, he will be remembered primarily for the comic roles in which he displayed such a strong and endearing personality. Yet his career embraced a wide range of achievements that put him in the forefront of the British singers who went out to win international reputations after the war.

Evans was born in Pontypridd on 16 February 1922. He began singing in amateur events and after war service in the RAF was thought sufficiently talented to pursue a singing career. In 1948 he made his debut with the Covent Garden Company as the Nightwatchman in *Die Meistersinger*, the beginning of a happy association that was to last until his retirement from the stage in 1984.

All his major roles were heard at the house. In the 1960s and 70s it was difficult to imagine a Mozart opera there without him: Figaro and Leporello both showed his natural ability for communicating with an audience, though he preferred to avoid Papageno in *Die Zauberflöte*, whom he described with his typically down-to-earth Welsh sense of humour as a "cheeky little chappie". Among other comic roles he was highly regarded as Don Pasquale and Verdi's Falstaff.

Although by voice alone he might not have been thought suitable for many of the leading tragic baritone roles, a strong sense of how to make a character come alive resulted in some powerful portrayals: the title role in Berg's *Wozzeck*, above all, though he also took part in the premières of Britten's *Billy Budd* and *Gloriana* and Walton's *Troilus and Cressida*. Only the vocal demands of Rigoletto defeated him and he knew when to leave well alone.

At a time when British singers were just starting to make an impact internationally, Evans led the way. From 1962 he sang regularly at the Salzburg Festival, as Figaro, Leporello and Wozzeck. In the US there were guest appearances at the Metropolitan Opera in New York from 1964 and at San Francisco, where he also tried his hand as a producer in the mid-1970s. His popularity extended beyond the usual operatic circles and he became a familiar face on television. He was knighted in 1971.

Recordings exist of his major roles, including Beckmesser in *Die Meistersinger* under Von Karajan and *Falstaff* under Solti; but few are able to recapture the personality that made him so beloved of audiences when he appeared on stage.

Richard Fairman

INTERNATIONAL ARTS GUIDE

ATHENS

ATHENS FESTIVAL
Odeon of Herodes Atticus 20.30 Monte Carlo Ballet presents Roland Petit's Mozart et la Danse. Tomorrow: song recital by Montserrat Caballe. Fri: John Cage concert.

The final concert of this year's festival is a performance next Mon of Mikis Theodorakis' Canto Olympico (322 1459).

BERLIN

CONCERTS
Tonight at 20.00 in the **Philharmonie**, Vladimir Ashkenazy conducts the Berlin Radio Symphony Orchestra in works by Georg Katzer, Stravinsky and Mendelssohn.

Tomorrow and Wed: Frank Zappa's Yellow Shark. Fri: Alfred Brendel.
Sat, Sun morning and next Mon: Haitink conducts the Berlin Philharmonic. Sun: Maurizio Pollini. Tomorrow, Fri and Sat in **Kammermusiksaal**: Heinz Holliger directs the Chamber Orchestra of Europe (2548 8232). Wed in **Schauspielhaus**: Camerata Bern.

Thurs: Marek Janowski conducts works by Janacek, Martinu and Schumann (2090 2156).

OPERA
Gwyneth Jones sings the title role in Elektra tomorrow and Sat at the **Deutsche Oper**.

Thurs: Aida. Fri: Nicolai Gedda recital.

Sun: Rafael Frühbeck de Burgos conducts the first night of Hugo de Ana's new production of Don Carlos, with Julia Varady and Giacomo Aragall (3410 249). The **Staatsoper unter den Linden** has Sleeping Beauty tonight and Thurs, Die Zauberflöte tomorrow, Hindemith's Neues vom Tage on Wed, Madama Butterfly on Fri and Der Freischutz on Sat (2004 762). A new production of Rienzi, staged by Christine Mielitz, opens at the **Komische Oper** on Fri (2292 555).

THEATRE
At the **Hebbel Theatre** from Wed to Sun, Maly Theatre of St Petersburg presents a stage adaptation of Sergey Kaledin's novel Stroibat (2548 9250). Thomas Langhoff's Vienna Festival production of Hofmannsthal's political tragedy The Tower can be seen at the **Deutsches Theater** on Sat, Sun and next Tues (2871 225). The **Schaubuhne** has Marguerite Duras' play The Sickness of Death, directed by Bob Wilson, on Fri, Sat and Sun (890023). The **Schiller Theater** repertory includes a new production of Goethe's Clavigo, plus plays by Moliere, Schiller and Lessing (3126 505). The **Berliner Ensemble** is closed until next Feb.

GENEVA

Armin Jordan conducts Charpentier's Louise tonight, Thurs and Sun at the **Grand Théâtre**, with Mary Mills in the title role (311 2311).
Moliere's L'Ecole des Femmes can be seen at the **Théâtre de Carouge** daily except Mon until Oct 11 (343 4343).

NEW YORK

OPERA
The **Metropolitan Opera** opens its 1992-3 season tonight at 19.00. James Levine conducts Les Contes d'Hoffmann, with a cast headed by Placido Domingo, Samuel Ramey and Carol Vaness (also Thurs and next Mon). Tomorrow and Sat: Un ballo in maschera.
Wed: Madama Butterfly. Fri: Falstaff (362 6000). New York City Opera's repertory this week at **State Theater** consists of Busoni's Doktor Faust on Wed, Romberg's operetta The Desert Song on Thurs and Sat, and Cav and Pag on Fri (870 5570).

CONCERTS
Kurt Masur conducts the New York Philharmonic in this week's concerts at **Avery Fisher Hall**. Tomorrow's programme consists of symphonies by Schubert, Beethoven and Mehul.

Thurs, Fri afternoon, Sat and next Tues: Midori is soloist in Mendelssohn's Violin Concerto (875 5030). **Carnegie Hall** opens its new season on Sep 30 with a concert by the Pittsburgh Symphony conducted by Lorin Maazel (247 7000).

PARIS

CONCERTS
On Wed at **Eglise Saint-Eustache**, the Chorus of Radio France gives a programme of music by Duruflé, including the Requiem.

Valentin Kojin conducts the Orchestre National de France in works by Weill, Stravinsky and Virgil Thomson on Thurs at **Salle Pleyel** (4230 2603).

OPERA
Le nozze di Figaro opens the new season at the **Opéra Bastille** on Thurs, with a cast including Jorma Hynninen, Marie McLaughlin, Gilles Cachemaille and Diana Montague. There will be five further performances until Oct 10.

The **Bastille's** first new production of the season is Honegger's Jeanne d'Arc au bucher, opening on Oct 9. Gwyneth Jones will sing the title role in Elektra, opening on Oct 13 (4001 1616).

Gabriel Bacquier stars in Louis Varney's operetta Les Mousquetaires au couvent, opening at the **Opéra Comique** on Fri (4286 8883).

Semyon Bychkov conducts Adolf Dresen's new production of Evgeny Onegin at the **Châtelet**, opening next Mon, with a cast including Neil Shicoff and Dmitri Hvorostovsky (4028 2840).

THEATRE
The Spanish season at the **Théâtre National de l'Odeon** continues with La Candida Erendira, a play by Gabriel Garcia Marquez staged by Colombian director Jorge Ali Triana, from Wed to Sun only (4325 7032).

Stephane Braunschweig directs Chekhov's Cherry Orchard at the **Théâtre de Gennevilliers**, daily except Mon and Thurs till Oct 18 (4793 2630).

Andre Engel's production of Odon von Horvath's 1931 play Tales from the Vienna Woods opens at **Bobigny** next Tues (4831 1145).

DANCE
Rudolf Nureyev's new production of La Bayadere for the Ballet de l'Opéra de Paris, designed by Ezio Frigerio and Franca Squarciapino, opens at the **Palais Garnier** on Oct 8 (4017 3535).

● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898.

VIENNA

CONCERTS
A Week of English Music: Michael Tilson Thomas conducts the London Symphony Orchestra in works by Denis Matthews, Mendelssohn and Prokofiev tonight at the **Musikverein**, with violin soloist Viktoria Mullova.

Tomorrow: the Consort of Musicke under Anthony Rooley. Sat and Sun: James Judd conducts the Halle Orchestra in Elgar's The Dream of Gerontius, with Arthur Davies, Penelope Walker and John Shirley-Quirk (505 8190).

Sian Edwards conducts the Junge Deutsche Philharmonie in works by Varese, Stravinsky and Frank Zappa on Thurs at the **Konzerthaus** (712 1211). Sep 30: Evgeny Svetlanov conducts the Russian State Orchestra (505 8190).

OPERA
Vesselina Kasarova is Rosina in tonight's performance of Il barbiere di Siviglia at the **Staatsoper**.

Tomorrow: Tosca with Galina Kalinina. Thurs: L'elisir d'amore with Roberto Alagna as Nemorino. Fri: Ludwig Minkus' ballet Don Quixote. Sat: Entfuhrung. Sun: Fidelio with Anne Evans and James King.

The **Volksoper** has Don Giovanni tomorrow, Nabucco on Wed and Die Fledermaus on Fri (51444 2960)

THEATRE
Vienna's **English Theatre** (Josefsgasse 12) has Eugene O'Neill's A Moon for the Misbegotten, daily except Sun (402 1260).

A new musical entitled Elisabeth, based on the life of Sissy, child-bride of Emperor Franz Joseph, is running daily except Wed at the **Theater an der Wien** (599 7719).

This week's repertory at the **Burgtheater** and **Akademietheater** includes Brecht's Baal and Edward Albee's Who's Afraid of Virginia Woolf (51444 2218).

● Telephone sales of tickets for the Staatsoper, Volksoper and Burgtheater are available worldwide for holders of credit cards by ringing Vienna 5131 513.

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY
CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

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FINANCIAL TIMES
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Monday September 21 1992

Oui, . . . mais

TECHNICALLY, THE French electorate has ratified the Maastricht treaty. In reality, it has saved the European Community.

The treaty in the precise form that it was signed last February is almost certainly already past saving. The task now facing European leaders is, first, to decide how much they really want to save and, second, to devise a way of doing it. Ironically enough, that is what many of those advocating rejection of the treaty, in France and elsewhere, have said they want to happen. But had the majority of French voters taken their advice the chances of saving anything would have been much less. Not only would the treaty itself have been junked wholesale: many of the EC's earlier achievements, if not its very existence, might have been jeopardised, in an atmosphere of which last week's recriminations gave an unpleasant foretaste.

The treaty as it stands is past saving for several reasons. First, the Danes have already rejected it. They show no sign of changing their mind, and even if they do so it may not be possible for them to vote again on an unaltered text. Second, the forced departure of Britain and Italy from the exchange rate mechanism has shown that the convergence criteria for economic and monetary union are most unlikely to be met by more than at most an inner core of north-central European countries. Third, in the course of the referendum campaign France's leaders have said things, both about Germany and about the purpose of Emu, which have strengthened the rapidly growing misgivings in Germany about the whole project.

Public opinion

All year, but especially since the Danish vote on June 2, a revolt of public opinion has been apparent throughout Europe. Not one of the 12 governments in the EC could now claim to have gained popularity or authority since signing the treaty; nearly all of them have lost both. Greatest of all, perhaps, has been the loss for Chancellor Helmut Kohl's government in Germany, whose promises that no one would be worse off for reunification have been revealed, at least in the short term, as cruelly false. The authority that enabled Mr Kohl, a year ago, to impose a timetable for EMU on a clearly reluctant Bundesbank is simply not there any more.

The Yes vote in France accords these 12 discredited leaders a breathing space. But for one of them, Mr John Major, it makes a desperately difficult domestic situation even more difficult. He cannot now put the whole Maastricht episode behind him, as he must privately have hoped to do. Instead he has to continue defending, before a deeply sceptical audience, a platform from which the central plank – Britain's ERM membership – has already been knocked out. And yet it is to him, as current president, that falls the immediate task of convening his fellow heads of government to search for a new way forward.

Common interests

Convene them he must, and the sooner the better. There must be a summit, but its agenda cannot be simply the ratification or implementation of Maastricht. The heads of government should agree to put that on one side for the moment, and proceed as their predecessors did 42 years ago under the guidance of Jean Monnet. Rather than seeking to score national points at each other's expense, they must consider what they believe to be the interests that all of them have in common.

It should not be too difficult for them to agree that all want to see the single market become a reality. If that were achieved, many of the monetary tensions felt so painfully this year could be avoided, since economic conditions in one part of the market would inevitably work through into the other parts, and so monetary policies required in one member state would no longer be glaringly inappropriate for the others.

They might also agree that it is politically unhealthy for the monetary policies of all member states to be dictated, in practice, by the national authorities of one of them. At least, the question could be put in that form to the Germans and, if they did agree, they could be asked to help devise a system which would avoid that, whether or not it was intended to bring about a single currency at the end of the day.

And the 12 could surely agree that they all want to see a community or union which interferes as little as possible in the internal affairs of its members, but defends their common interests effectively *vis-à-vis* the outside world, under democratic supervision. They would, perhaps, end up producing a treaty not unlike Maastricht, but simpler, more coherent, and above all easier for the peoples of Europe to understand and accept.

Meanwhile, there is plenty of work for them to get on with, notably in completing the Uruguay round and in offering more effective support to central and eastern Europe, before other countries of that region follow Yugoslavia into the abyss.

The ERM's future

THE SMALL margin in favour of the Maastricht treaty in the French referendum should keep the ERM alive. This is not because ratification of the Maastricht treaty itself, still less smooth progress towards economic and monetary union, have become certain. It is because the French people have demonstrated, however grudgingly, that there remains a majority in favour of European co-operation. On that a two-tier ERM should be able to stand, but it will do so only if the Bundesbank shows a greater commitment to the system than it did last week.

Events have confirmed that a semi-fixed exchange rate system has evident weaknesses. The nature of the frailty is also clear. The managers of a currency under severe pressure can never save it on their own. After a certain point, they will run out of reserves. Since operators in the markets know that, they are bound to win any serious battle.

The durability of the hugely higher interest rates – 500 per cent overnight in the case of Sweden – that are sometimes needed to defend a frail currency lacks credibility. It is impossible to believe that the government of most countries would be able to endure the ensuing slump. What is believed will be difficult at some time in the future swiftly becomes impossible today.

The credibility of the parity depends partly, therefore, on the will of the authorities responsible for the weaker currency to defend it and on the credibility of their commitment to impose whatever interest rates may be required for as long as proves necessary. But the parity depends rather more on the perceived willingness of those responsible for the stronger currency to defend the parity as well. The governments of Italy and the UK failed all these tests. But France – in addition to the other core ERM countries, which includes at least the Netherlands, Belgium and Luxembourg – need not.

Nevertheless, the narrowness of the French vote, in addition to the dwindling likelihood of Emu, is bound to shake the market's previous faith in the determination of this and future French governments to defend the parity. The economic conflicts within Europe consequent upon German unification also continue. The ERM may now be more secure than feared last week. But it is far from secure.

It now rests overwhelmingly on the Germans to remove these doubts. Should the Bundesbank, fresh from its victories over the Italians and the British, demonstrate that it is absolutely committed to maintaining the present parity for the French franc, regardless of the short-term effect on the German money supply, then that parity will stand. The Bundesbank can never run out of D-Marks, since it is the ultimate producer of that particular piece of paper. If it is not so committed, then no parity can be secure under the pressure that currency markets are now able to exert.

This is not just an economic issue, however technocratically the Bundesbank might like to address the matter. It is a political one. Emu or no Emu, Maastricht or no Maastricht, Germany needs friends.

The Bundesbank should be more than content with the victories that its determination and events have now delivered. It has obtained the D-Mark appreciation it sought and from that will come some of the disinflation that it has long desired. The principle that the ERM is a system of adjustable exchange rates has been re-established. The Bundesbank is also in an excellent position to resist the imposition of Emu by a German government that has been seriously weakened by its past policy errors. In addition, the EMS has been definitively established in two tiers, with little prospect that the frailer brethren will be allowed to join Emu, should it occur.

Enough is enough. France has at least not rejected the alliance with Germany. The Bundesbank would be well advised to rest on its laurels and return the favour.

World capacity to reprocess nuclear waste is expanding, but storage may now be a better alternative, says **David Lascelles**

An issue that won't go away

During the coming winter, workmen will be putting the finishing touches to a cavernous new plant at Sellafield on the Cumbrian coast, the main facility of the state-owned British Nuclear Fuels. When it begins operating next spring, the £1.05bn project will have the capacity to take in 1,200 tonnes of spent nuclear fuel a year, separate out the uranium and plutonium, and transform the remaining waste into a form of glass which can be poured into steel containers, where it sets rock hard for long-term disposal.

Across the English Channel at La Hague, on a windy headland near Cherbourg, the French are expanding a similar facility to handle 1,600 tonnes a year. And on the other side of the world, the Japanese have broken ground for a plant of their own near Aomori on the northern tip of Honshu. The Rokkasho-mura facility will handle 800 tonnes a year when it comes on stream early next century.

All this suggests that the nuclear industry is finally getting to grips with the problem of dangerous waste created by burning nuclear fuel. In the history of nuclear power since the second world war, only one-third of the 120,000 tonnes of fuel discharged by reactors has been reprocessed. Two-thirds, or 80,000 tonnes of it, lies in deep ponds of water or other temporary storage, awaiting decisions about its final resting place.

But the reality is somewhat different. Even as all these new plants *near completion, questions are increasingly being asked about the* wisdom – and the huge cost – of reprocessing.

Earlier this year, Scottish Nuclear, the state-owned operator of two nuclear power stations in Scotland, confirmed plans to explore long-term storage of spent fuel as an alternative to reprocessing. "We could save £43m a year," says Mr James Hann, SN's chairman, who believes that nuclear power must slash its costs if it is to have any future. A public inquiry begins shortly into SN's application to build a dry store to hold spent fuel for half a century.

Nuclear Electric, which runs the 12 nuclear power stations in England and Wales, recently signed a £13bn contract with BNF to reprocess fuel from its existing Magnox and advanced gas-cooled reactors over the next 15 years. But beyond that, NE remains non-committal. It has built enough storage capacity at Sizewell B, the large pressurised water reactor nearing completion on the Suffolk coast, to house spent fuel for half the plant's planned 40-year life.

NE's position is that, while reprocessing is appropriate for older plants such as Magnox, because the spent fuel is corrosive, it is an expensive option for newer technologies which discharge more manageable waste.

Germany has abandoned plans to build a reprocessing plant for a variety of economic and environmental reasons. The US is not even contemplating reprocessing. Government policy is to develop a long-term fuel repository under Yucca Mountain in Nevada. But the project has encountered such strong environmental resistance that it may never come about. The US Department of Energy says that exploration of the site will take at least seven more years.

The case for reprocessing has traditionally rested on three points. One is military – it produces the plutonium needed for nuclear weapons. The only reprocessing that has taken place in the US and the former Soviet Union is for military purposes. The bulk of these countries' spent nuclear fuel has only a temporary store.

The second reason for reprocessing is as a means of recycling uranium, until recently a commodity in short supply. The third is to facilitate long-term disposal; reprocessing separates waste into three levels of radiation risk – high, intermediate and low – and only the first needs the most secure storage.

But with the changed economic and political climate, the first two reasons have weakened considerably. The need for plutonium – at least for military purposes – has declined, and uranium has become plentiful, mainly because of large exports from Russia, and is likely to remain so as nuclear weapons are *dismantled.*

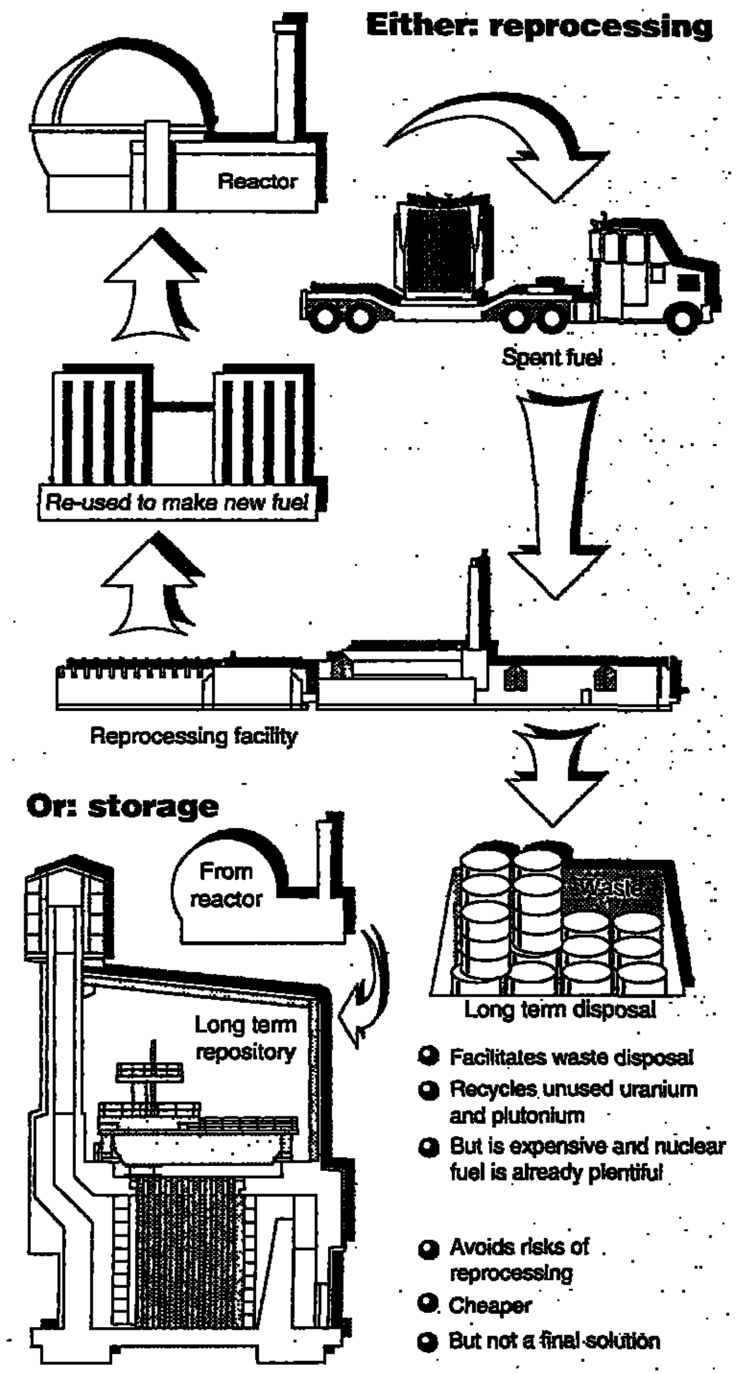
Meanwhile, the environmental lobby has mounted a campaign claiming that reprocessing is an uneconomic way of dealing with spent fuel, because it actually creates more waste through contamination of the equipment needed to carry out the work, and it still leaves the world with the problem of dealing with the end products.

A report by Friends of the Earth, the pressure group, earlier this year concluded that reprocessing "offers no benefits over alternative management strategies for spent nuclear fuel, and produces significantly higher economic and environmental costs".

Added to this is the suspicion that the UK and France have upgraded their reprocessing industries only because they existed already. They have also found that reprocessing other people's waste can be made into a lucrative business. The Sellafield plant, known as Thermal Oxide Reprocessing Plant (Thorp), is fully booked for the next 10 years, and 40 per cent booked for the 10 years after that. More than two-thirds of this business comes from abroad. Cogema, the French state company which operates La Hague, is similarly replete with orders, although in its case only half of the business is foreign because of the heavy needs of France's own large nuclear power industry.

Having made these huge investments, both these companies strongly resist claims that storage provides a cheaper alternative. "It's an unproven route," says Mr John Guinness, the newly appointed chairman of British Nuclear Fuels, who observed the company closely in his previous job as permanent secretary at the Department of Energy. He describes Scottish Nuclear's preference for dry storage as no more than "a sensible way of keeping their options open".

Mr Christian Gobert, the executive vice-president of Cogema, is more forceful still about the storage option: "You have done nothing. You have taken a few measures which are not costly. You can forget it for a generation. That's very comfortable but you have no final solution."



The more technical argument for reprocessing is the extraction of plutonium. Although the military requirement is declining, plutonium remains an essential fuel for fast breeder reactors. But the fast breeder has an uncertain future. The UK has just decided to cease funding its prototype at Dounreay. In France, the nuclear installations inspectorate has blocked a restart of the troubled Superphenix reactor which is spearheading the French fast breeder programme.

At the moment, only Japan has a significant fast breeder programme, which gives it a reason to proceed with the Rokkasho-mura plant. Mr Masato Nakamura, of the nuclear fuel division of the Atomic Energy Bureau, says: "We have never considered storage in place of reprocessing. Our view is that Japan is a resource-poor nation, so we have to make use of a valuable material."

An alternative use for plutonium is in mixed oxide fuel (MOX), a cocktail of fuels including plutonium which can be used in conventional nuclear power stations. Up to 25 French stations could use it, according to Mr Gobert.

Even so, this potential source of demand for plutonium may not justify the expense of reprocessing because of the large surplus of plutonium which is building up. The Uranium Institute, a trade group, estimates that US and Russian stockpiles of plutonium amount to more than 200 tonnes, and of highly enriched uranium to about 1,000 tonnes.

Increasingly, though, the debate about reprocessing turns on environmental considerations. The critics of reprocessing emphasise the dangers of transporting nuclear waste sometimes half way round the world to the reprocessing site, the radiation risks at the site itself, and the fact that reprocessing still leaves an end product to be disposed.

Although both BNF and Cogema operate a policy of returning the processed waste to their clients, they only ship back high-level waste because it is easier and safer to transport. To compensate for the smaller volume, they ship back slightly more high-level waste than they take in. But this still leaves them with bulky low-level waste to dispose of. So even though neither Sellafield nor La Hague is strictly a "nuclear dustbin", where foreign clients can dump their nuclear rubbish and forget about it, both sites have to store considerable amounts of waste.

Mr Gobert rejects the accusation that the act of reprocessing actually adds to the waste. *He says that UP3, the newest facility at La Hague, produces "no more waste than direct disposal, and we know we can do better than that".* Mr Guinness says: "What we are doing is socially desirable. We are also making quite a lot of money. Taking the longer view, our children will be mighty grateful that we have taken this course."

However, both the UK and France do have to have final storage sites for the end products of reprocessing. In the UK this is the responsibility of Nirex, a company jointly owned by the government and the nuclear industry, which is trying to obtain permission for a deep underground site next to Sellafield.

Despite the misgivings about reprocessing, it is unlikely that their state owners will take a negative view of Sellafield and La Hague. Both plants have been financed with money from their clients, so they place no burden on state budgets. And their bulging order books promise healthy export earnings for many years. Both companies make profits, although the adequacy of their returns will not be fully tested until their new plants can show their paces. If they are commercially successful, their owners could invite in private investors.

In the long-term context in which the nuclear industry likes to see itself, it may be misleading to see the debate in terms of storage representing an alternative to reprocessing. At the moment, world reprocessing capacity amounts to about 4,000 tonnes a year, according to the International Atomic Energy Agency. However, the amount of spent fuel discharged each year is about 9,000 tonnes. Although reprocessing capacity is expected to rise to 6,800 tonnes by the year 2000, spent fuel discharges will still exceed this. Far from clearing up the backlog, the reprocessing industry will fall steadily behind, even with its enlarged capacity. Long-term storage, therefore, must play the leading role.

Awash with misery

Floods in Pakistan have exacted a heavy toll in human suffering and economic damage, says **Farhan Bokhari**

The scale of the flooding which has struck Pakistan in the past week is most easily visible from the air.

Where there was rich agricultural land in the central province of Punjab, only trees can be seen, their trunks under water. On high ground are remaining patches of crops. Peasants gathered on roof-tops appear to be stranded on tiny islands in an ocean. It seems miraculous that weak buildings made out of mud, straw and wood are holding up. River boats carrying troops speed across the water in search of victims caught on high ground or roof-tops, along with their meagre belongings and livestock.

The cost of the disaster, caused by torrential rain which swelled the Indus, Chenab, Jehlum and Ravi rivers, is still being calculated, but rehabilitation will be lengthy and expensive. Initial estimates of up to 2,000 deaths have been lowered to about 1,000. Hundreds of thousands have been affected, and the damage is enormous.

An official in the central city of Multan said: "This is the worst crisis I've seen in years. Who knows how long and how much money it will take to repair the damage?"

Across from the *sher shah bund*, a protective mud boundary created to protect the historic Islamic city, the destruction is obvious as far as the eye can see. Field after field of crop land is submerged under water which came through a 20-metre wide breach in the boundary. Relief workers had to dynamite that portion to let the water flood farmland rather than let the pressure build up where it could break through the boundary and enter the city.

Victims either lost their mud homes or ran out of food and tried to swim to land. Some were forced to climb tree-tops out of fear of being drowned, and had to stay there for a day before being rescued. A large crowd of people has gathered to wait for friends and family members who may be stranded in the flooded area.

Less than a mile away, relief workers are trying to strengthen the train tracks by lining rocks and sand-bags alongside the rails.

The cost of the disaster will put pressure on Pakistan's economy. The province of Punjab estimates its losses at Rs16bn ($640m), and the other three provinces – North West Frontier, the territory of Azad Kashmir and Sindh – are still calculating. Agriculture has taken the worst beating. Pakistan had expected to produce up to 14m bales of cotton this year, up from last year's 13m. But the latest estimates are that production will fall to 11.5m.

Cotton is by far Pakistan's most important product, with exports of cotton and its products accounting for 58 per cent of the country's $6.8bn of exports last year.

Agriculture has taken the worst beating, with sharp falls in cotton production expected

A drop in exports could threaten Prime Minister Nawaz Sharif's drive to introduce free market reforms, replacing the former socialist bureaucracy. The programme depends on boosting exports to maintain both foreign exchange reserves and economic growth.

Severe damage to the cotton crop is expected in the southern province of Sindh. Up to 60 per cent of the 1.5m acres of land sown to cotton in Sindh is expected to be destroyed by a combination of torrential rains last month and the present floods. In the province of Punjab, up to 1m acres out of 7m sown to cotton are estimated to be destroyed.

Pakistan has not so far launched an international appeal for assistance though it has accepted voluntary donations – Japan has offered $800,000, Britain $200,000 and the United Nations $100,000. However, some officials believe that as the costs of rehabilitation mount, the government will need to ask for outside help.

Mr Sharif, who has been touring affected areas by helicopter, has announced Rs1bn of relief for Moslem victims and Rs250m for non-Moslems. Interest on agricultural loans of up to 20,000 rupees ($800) from state-owned banks has been written off, and borrowers have been given an additional year to pay back their loans.

The government's handling of the crisis has been criticised by opposition leader Benazir Bhutto. In Pakistan's volatile democracy, some politicians in Mr Sharif's ruling coalition are worried that the disaster could provide ammunition to the opposition. But there are few signs so far of public unrest.

However, the government will be left with some difficult problems. In the short term, there is not only rehabilitation and reconstruction, but also the possibility of outbreaks of epidemics from stagnant water. In the longer term it will come under pressure to improve flood management techniques.

Officials say deforestation has intensified environmental problems. The official estimate is that just over 5 per cent of Pakistan is forested. But officials concede that the figure is a legal description of areas set aside for forests and does not reflect the destruction of trees to meet the needs of a rapidly growing population.

Pakistan and India would benefit from joint efforts to increase forestation in their northern areas, to combat environmental problems. But given the tension in their relations, there are few signs that such an effort could be launched.

Where the front line meets the bottom line

South African business is becoming directly involved in politics in a bid to restore stability and growth, says Patti Waldmeir

When troops from the Ciskei black homeland opened fire two weeks ago on an African National Congress (ANC) march, they risked claiming an unusual victim – one of South Africa's leading businessmen, Mr John Hall, an executive director of Barlow Rand, the country's largest industrial group.

Business leaders in the rest of the western world would scarcely consider it a normal day's work to risk their lives in a political demonstration. But for Mr Hall (who attended the march as a "peace monitor") and for many other South African businessmen, the notion of "business as usual" has lost its meaning after months of mass protest action, industrial unrest, township violence and political deadlock.

Increasingly, business is becoming directly involved in politics, in economic policy-making and in attempts to shape a new South Africa society. Frustrated at the failure of politicians, white and black, to lead the way to a post-apartheid future, businessmen are trying to fill this leadership gap with initiatives of their own. They have decided that politics is too important to be left to politicians, and are hoping that the institutions of civil society – business organisations, trade unions and churches – can work together to restore stability, without which economic growth is impossible.

With the economy in its worst recession since the turn of the century, labour and business have discovered a remarkable community of interest. Both want a rapid transition to democratic rule; both know that permanent economic damage results from every delay in the transition.

Indeed, late in July, the two sides came within a hair's breadth of agreeing a joint strategy to pressure the politicians to resume constitutional talks, suspended since June. The Congress of South African Trade Unions (Cosatu), the largest union federation, and an umbrella employers' body, the South African Co-ordinating Committee on Labour Affairs (Saccola), drew up a draft Charter for Peace, Democracy and Economic Reconstruction, which would have committed labour and business to a joint programme of industrial action to force the pace of political transition. The charter called on both sides to "suspend normal economic activity" for one day, on August 3, to demonstrate for democracy.

In the end, the fledgling coalition proved too weak to hold, and Cosatu went ahead with a more traditional two-day national strike on its own. Those who negotiated the charter say talks broke down over union demands that Saccola, a private-sector body, guarantee public-sector participation. The government, the main target of the strike, made clear the public sector would not co-operate.

The private sector also appears to have baulked at the last moment at the idea of business and labour "ganging up" against the government, in favour of the ANC, whose anti-capitalist bias worries most businessmen. And even if the joint stoppage had gone ahead, it seems unlikely that more than a quarter of the private sector would have participated.

Since then, relations between business and labour have deteriorated, with several strikes dragging on and with the unions attacking business anew for failing to pressure government for political change. Unions have long blamed business for colluding with Pretoria in its apartheid policies, and the rank and file remains sceptical of corporate South Africa's conversion to non-racial democracy. And some businessmen are clearly using the recession to reduce staff permanently.

John Hall, a director of South Africa's biggest industrial group, Barlow Rand: mixing business and politics

Frustrated at the failure of politicians, businessmen are trying to fill the leadership gap with fresh initiatives

But liberal businessmen argue that the basis has been laid for future co-operation. They say that the charter called for far more than just one day's strike action; it spelt out a joint commitment to curb violence, combat poverty and seek consensus on economic restructuring.

Initiatives in these areas are already under way. At the national level, senior businessmen are involved in the National Peace Committee, the multi-party body which tries to mediate between political parties in potentially violent disputes. Mr Hall, the Barlow Rand director, is chairman of the National Peace Committee, and was heavily involved in negotiations between the ANC, the Ciskei government and Pretoria to try to prevent the Bisho massacre. He was in the front line of demonstrators when the firing started.

Barlow Rand says half a dozen of the company's senior executives are involved in regional dispute-resolution committees and other structures of the National Peace Accord, signed a year ago by all South Africa's leading parties in an attempt to halt violence which has left 7,000 people dead since the ban on the ANC was lifted in 1990.

Barlows is not unusually virtuous in this regard; Companies from across the spectrum have attempted to mediate in the violence, which disrupts production and sometimes spills over into the workplace. Indeed, business is often the closest thing to a neutral party in a situation where political rivalries inspire everything from protest to murder.

Businessmen can succeed in separating warring black factions where the police, with their suspect background of involvement in political violence, cannot. Business has the resources to provide venues for local peace talks, and such mundane support as fax machines and transport.

The Consultative Business Movement (CBM), a business grouping supported by about 100 corporations, argues that business should be a bulwark in a fractured society. "During this crucial period of transition, business is one of the few institutions whose national networks are intact. Violence has destroyed many community organisation networks and government networks are largely discredited," it says.

But the CBM points out, in its document Surviving Change: Business' Role in the Transition, that *ad hoc* dispute resolution is not enough. Business must work at creating "the socio-economic and developmental foundation without which a negotiated solution will not be permanent".

Indeed, the Saccola/Cosatu draft charter committed business to an ambitious programme to combat poverty, including job creation programmes, schemes to deliver food aid, provide electricity, and upgrade housing and education facilities. No details were agreed, but it seems clear that business was willing to go well beyond traditional social responsibility programmes which have helped provide housing and education to employees and local communities in the past.

Mr Ken Ironside, public affairs manager at Barlows, says: "We realise we have a role to play in shaping this society – reluctantly – but we won't be offended when society settles down and we can get back to making money."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Courage needed to defend the economy rather than currency

From Mr Robert McDowell and Mr Tom Penney.

Sir, ERM was an artificial barrier preventing the UK government from reducing interest rates to a level which would stimulate economic recovery. The markets are certain that the ERM is dead and any attempt at resuscitation either in a political or technical sense will be rebuffed.

It would be ironic if the crisis of last week is now simply interpreted as allowing John Major his best opportunity to take the kind of action which otherwise would have been impossible without a humiliating political U-turn.

Although a little late in the day, the government's action in suspending sterling's participation in the ERM deserves applause.

The return to a floating rate presented the chancellor with an opportunity to reduce interest rates to below the 10 per cent which they started at last Wednesday. The German finance minister is right in stating that we must put our own house in order. Bundesbank monetary policy is focused on the German domestic economy. If you cannot beat them, then join them.

Ever cloud has a silver lining. The question now is whether the government has the courage to set rates to defend the economy or whether it will cling to its now defunct policy of defending the currency.

Of course, these actions over-simplify the underlying issues and put us in the realms of the short-term fix. It would be a mistake to allow political expediency to be a cause for ignoring that we are inseparably part of a European trading bloc.

Ultimately, Europe must continue to strive to find a way of co-ordinating its responses to global economic imbalances. These are complex problems.

ERM has proved to be an ineffective tool in smoothing the superficial manifestations of the underlying cause. If the ERM is to be completely abandoned then it is clear that the UK and its European partners must quickly put their heads together to deal forthrightly with the fundamentals of the multi-layered inter-relationships of their economies.

Robert McDowell and Tom Penney,
Banking Securities Consultancy,
1, Gresham Road,
Cambridge, CB1 2ER

From Mr Paul H Richards.

Sir, In the light of recent events, I understand better the case for an independent central bank. However, what I find difficult to understand is why our independent central bank should be located in Germany.

Paul H Richards,
1 Ferncroft Avenue,
Hampstead, London NW3 7PG

From Mr R M Bale.

Sir, Pending privatisation of the Bank of England why not make the D-mark legal tender in the British Isles?

R M Bale,
Rocque Berg,
St Clement,
Jersey Channel Islands

From Mr Roman Slawinski.

Sir, Common sense? Of course it was common sense. The tragedy is that the chancellor did not think of it himself, but had it forced on him by the Bundesbank and the foreign exchange markets in a chaotic, expensive and humiliating manner. Far from acting as the villain, the Bundesbank has demonstrated the benefits of having a politically independent central bank.

Roman Slawinski,
115 Park Road,
Chiswick, London W4 3ER

Old CFCs present a dilemma

From Katherine Robinson.

Sir, Re Peter Knight's article on CFCs (Business and the Environment, September 2), there seems to me to be absolutely no point in developing new, greener refrigeration technology alone. How can I, as a conscientious consumer, dispose of my old refrigerator and buy a new one knowing that it is only when refrigerators are crushed or broken up that they become an environmental hazard.

Without an old-for-new exchange scheme and extensive re-cycling programmes the world is a safer place if I stick to my old refrigerator for as long as possible.

I have the same problem with aerosols. I have 20 or so in a box in the garage which I am unable to dispose of safely in Italy. They all contain CFCs. What can a thoughtful consumer do; ring Friends of the Earth? I rang London and Rome and they could give me no answer.

Why is there this huge oversight?

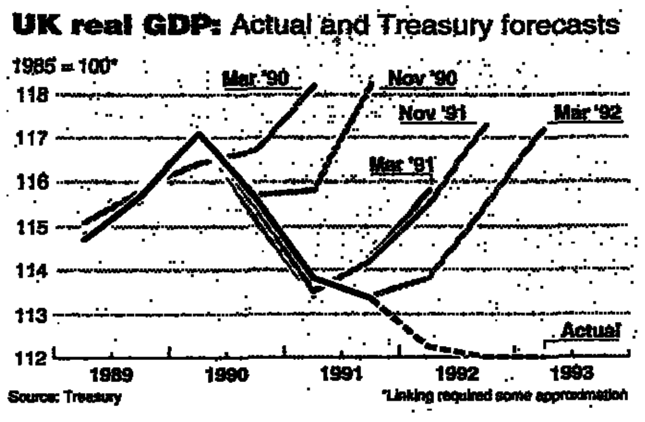
Katherine Robinson,
Via Monte Rosa 4,
Vedano al Lambro,
20057 (Milano),
Italy

Record shows Treasury never forecast a recession in UK at all

From Prof Wynne Godley

Sir, According to the article, "Treasury models in privatising move" (September 15), by David Goodhart and Peter Marsh, the Treasury "fail(ed) to predict how protracted the recession would be". The statement flatters the Treasury's forecasting record because it never, at any stage, forecast a recession at all. The chart shows each of the Treasury's last five forecasts taken from successive issues of the Financial Statement and Budget Report and the Autumn Statement set against the estimated out-turn derived from Economic Trends, together with an estimate for the remainder of 1992 and the first half of 1993 which will not, I believe, be thought controversial.

UK real GDP: Actual and Treasury forecasts



Source: Treasury
*Linking required some approximation

As the chart shows, it would be wrong to think of the Treasury's forecasts as only having been wrong once. The forecasts have been persistently dreadful, invariably in the direction of seeing substantial recovery "just around the corner" which, of course, never materialised. The scale of the error, looking one year ahead, was generally rather over 4 per cent and it is beginning to look as though the worst of the lot was the most recent forecast made just before the election – this may be as large as 5 per cent.

It is very worrying that the government has been so persistently, and so completely, misled by its official advisers. It is even more worrying if, faced with a recession which is going to turn into a regular slump unless present policies are further changed, the government is even now basing its actions on an economic model and forecasting methodology which are utterly discredited.

Is the article correct when it says that the Treasury employs 80 economists to do this work?

Wynne Godley,
Department of Applied Economics,
Cambridge University

OBSERVER

Authorised by the Prez

As the Bundesbank digests the volley of criticism slung at it last week, Observer's sympathies are mainly with president Helmut Schlesinger's press office. The governor of the Bank of England had to phone Schlesinger twice last Tuesday seeking clarification of press interviews (in which the Bundesbank chief had suggested a more comprehensive EMS realignment might calm markets), to be told the reports were "not authorised". It is not the first time the professor has been misunderstood.

In a notable instance when still Bundesbank deputy, Schlesinger appeared to suggest to Reuters that the bank was not in favour of intervening to support the dollar – a remark that had to be amplified next day.

Again, last summer when he took over from Karl Otto Pöhl Schlesinger was unusually forthright, in the weeks before he chaired his first council meeting, about the need to raise interest rates. While some central banks find this a good way to test the water, it was unusual enough in Germany to mean that, by the time the council met, its options were distinctly circumscribed.

In contrast to the wily Pöhl, an ex-journalist who was seldom tripped up by his former colleagues, the dour Schlesinger is more loquacious than one might expect. He also tries to impose a *Beamte*-like distinction between what is "authorised" and what is not. It can be confusing.

Sterling work

■ Judging by the fate of Lord Beaverbrook, the former Conservative party treasurer who is on the brink of personal bankruptcy, it is a brave soul who gets involved in Tory finances. Enter Martin Saunders, chartered accountant and finance director of P & O.

No prizes for guessing who introduced Saunders to Tory chairman Sir Norman Fowler as a suitable candidate for the new post of director of finance in a supposedly leaner, fitter political machine.

P&O boss and ardent Tory supporter Lord Sterling has, despite the recession and change of party leadership, kept up his Conservative party donations at £100,000 a year and Saunders has worked for Lord Sterling since 1976, when he joined as deputy chief accountant of Town & City Properties.

With a deficit of an estimated £10m-£12m to worry about, the politically ambitious Saunders will have plenty to keep him interested – but the puzzle is why central office has made this appointment before filling the other new slot, that of chief executive.

Off and on

■ Last-ditch defender Midland Bank has been given the boot by Tottenham Hotspur – a cynical reward, it might seem for seeing the north London football club through the dark years of heavy debt and suspended shares.

Instead, back comes Barclays, the club stalwart banker until dropped in favour of Midland by Spurs' old management team headed by Paul Bobroff and Irving Scholar who floated the club a decade ago.

By 1990, it owed Midland more than £10m after a disastrous diversification into clothing and a huge over-run of costs. But, though the debt could have been recalled at any time, it wasn't.

'I wonder if we could sell our house to a currency speculator'

Still, the defender departs to a grateful "Well played" from Spurs' new management, consumer electronics millionaire Alan Sugar and football guru Terry Venables. Moreover, Midland did not fare too badly as a Spurs player.

After all, the club kept up the interest payments which amounted to about £6.5m in the four years to last May. Sugar took over part of the loan a year ago, charging base rate for the interest, whereas the bank added 2 percentage points.

Now, having eliminated the debt through the sale of Paul Gascoigne, which netted £5.4m, Spurs is reputedly only "dipping in and out of overdraft". So, in the end, it may be Barclays that has missed out on the glory years.

Birthday Party

■ Shin Kanemaru, the "godfather and kingmaker" of Japanese politics, has just celebrated his 78th birthday quietly at home - in place of the annual party whose guest list is generally a good guide to future prime ministers.

He shared the occasion with a few generals from his faction, the largest in the ruling Liberal Democratic Party, but had no guests from the Tokyo Prosecutors' office, which is seeking an audience with him over a generous and possibly illegal Y500m donation from a parcel delivery company, Tokyo Sagawa Kyubin.

Each day for the past two weeks, the big question has been whether Kanemaru will keep his appointment with the prosecutors or whether they will make a house-call, since the godfather, who has a Brando-like mumble, has confined himself to quarters.

This strange stand-off does not surprise ordinary Japanese, who appreciate that the prosecutors want to question Kanemaru but not to humiliate him. They have, however, rejected a suggestion from the great man that he write them a note explaining his behaviour and that bygones then be bygones.

While old and privileged friends suggest that he has spent most of his time playing mah-jong, the Chinese game of chance, Kanemaru's long stay at home has already had international consequences. Ichiro Ozawa, generally described in the Japanese press as Kanemaru's "loyal deputy", last week cancelled a get-to-know-you trip to the US and Europe. Ozawa, generally seen as close to a turn at the prime ministership, said he couldn't leave until Kanemaru and the prosecutors had settled their differences.

Touché

■ It was all down to the French satirical weekly, Le Canard Enchainé, to pop the question that the rest of Europe really wanted answered: Plébiscite ou vote prostatataire?

FINANCIAL TIMES
Monday September 21 1992

All parties back plans to save Skr28bn through benefit cuts and tax rises

Sweden unveils rescue package

By Robert Taylor in Stockholm

SWEDEN'S minority coalition government last night agreed an emergency economic package with the Social Democratic opposition to try to convince international financial markets that its currency will not be devalued.

The wide-ranging package involves sweeping cuts in state benefits and tax increases. The measures will lead to a total reduction in the budget deficit of SKr28bn (£2.9bn) next year – around 2 per cent of the country's gross national product.

The all-party agreement involves further budget cuts and tax increases over the next five years to 1997 when government savings are expected to total Skr40.6bn.

The party leaders hope this will be enough to calm the markets and enable Sweden's central bank to cut the current overnight 500 per cent interest rate on lending to the banks.

There is no question of the Social Democrats joining the centre-right government in any grand coalition, but the party will use its votes in parliament to back the details of the agreement as they come into force.

In a joint statement the two sides said they supported fully Sweden's fixed exchange rate policy and the tough financial measures needed to maintain it.

Under the benefit cuts, old age pensions will be reduced, child benefit increases will be postponed and the introduction of family allowance will be abandoned. Sickness benefits and foreign aid will also be cut.

Many of the government's cherished economic plans are to be dropped or postponed. The privatisation of state industries will be delayed and the promised abolition of the wealth tax has been deferred by a year. The scrapping of the tax on capital, previously planned for this autumn, will be postponed for two years. Taxes will rise on petrol and tobacco.

Both government and opposition have accepted unpopular measures in an effort to keep unemployment down.

In the longer term the two sides have agreed on a radical transformation of the way the Swedish welfare state is financed. The biggest change will involve shifting the funding of the health insurance system by the middle of the 1990s from the state to both sides of industry.

Last night Mr Carl Bildt, the prime minister, and the other party leaders in the coalition, as well as Mr Ingvar Carlsson, the Social Democrat leader, held a joint press conference to present the unprecedented peacetime agreement. All party leaders stressed the extraordinary circumstances that had forced them to bury their differences in the wider national interest.

They hoped the agreement would the markets after three weeks of unprecedented turbulence and bring stability back to the economy.

Politically the agreement has enormous significance. It is precisely one year ago that the Social Democrats lost the general election. Now the party can claim to have played a vital part in saving the economy from collapse although at the price of sacrificing many of its welfare spending plans.

For Mr Bildt's four-party coalition the events of recent days have shaken its confidence. There appears to be no question of its resignation but the abandonment or delay of large parts of its free market programme is bound to arouse discontent among its supporters.

THE LEX COLUMN

The system under strain

Even before French voters went to the polls yesterday, it was clear that the ERM as we have come to know it was blown. From the moment of Italy's devaluation a week ago, faith in the system's ability to delivery quasi-fixed exchange rates was shattered. What was perhaps unexpected was the tidal wave of speculation that swamped even well-armed central banks. The Bundesbank's admission that it has spent DM60bn in intervention during the recent turmoil is a rude reminder of the scale of short-term capital flows in a world largely free of exchange controls. It is sheer fantasy to assume those controls can be resurrected. The markets have proved they can win, and win quite easily. No referendum result could have changed that.

Had France voted no, the franc would almost certainly have come under excruciating pressure. If early indications of a narrow Yes are right, that might buy some calm. But there is other unfinished business: Italy's attempt to re-enter the system, pressure on the peseta, Danish krone, and Irish punt.

Maybe the answer will yet be for *Europe to split in two* with the Benelux countries and, now, possibly France as well as Denmark congregating round Germany. Countries in the slow lane would offer higher growth and higher inflation, but at a price of heightened currency risk. Investors would have to be more nimble than before.

The question is whether Europe's leaders would be prepared to ignore the political consequences of such a split. Italy's problems mean these are still incalculable, notwithstanding France's presence in the fast lane. Moreover, the scale of international capital flows makes it hard for small countries to go it alone, even when like Denmark and Ireland they could point to economic fundamentals better than those of Germany.

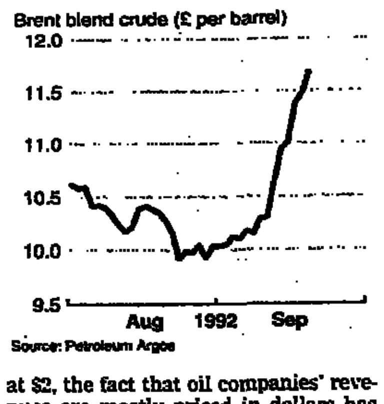
The chances are the politicians will want to preserve the system as best they can. One more realignment might bring the chance of stability for a while, but the markets would judge its credibility on the degree of genuine policy cooperation that followed. That would mean the Bundesbank cutting interest rates, even if this still goes against the monetarist grain.

UK oil shares

Sterling's fall against the dollar has brought some relief to oil shares. While few expected the pound to stay at $2, the fact that oil companies' revenues are mostly priced in dollars has caused discomfort. But for the largest UK oil firms, BP and Shell, the effect is muted. These oil majors are largely dollar-based stocks with dollar assets and borrowings; which leaves the translation of profits into sterling as the real problem. The geographical spread of the large companies also helps insulate them from dollar movements, with refining and chemicals operations often priced in local currencies. Since early September when the pound was at $2, Shell's shares have risen by 14 per cent and BP is up only 10 per cent.

Oil price

Brent blend crude (£ per barrel)



Source: Petroleum Argus

The currency effect is much more marked in the exploration and production stocks, especially those operating in the North Sea. These have dollar revenues and sterling costs. Their margins were being badly squeezed as the dollar fell during the summer. The 29 per cent rise in Enterprise Oil's shares to 401p in the past two weeks is some measure of the relief.

But the oil market remains difficult. With western economies still in recession, demand for oil is unlikely to rise, while extra supply will come on stream over the next year. Doubts about the level of Opec's production targets and its ability to stick to them may prevent the oil price rising much above $20 a barrel. With refining and petrochemical profit margins still poor, it will take more than a stronger dollar to push oil shares much higher.

Venture capital

Last week's news that Midland Bank plans to offer customers venture capital through its UK branches may have sent shivers of apprehension through the shareholders of HSBC. Have not most of the UK clearers in some form tried – and failed – over the last 15 years to supply equity to smaller businesses? And even if it could hardly happen on a Latin American scale, could this latest initiative not be another recipe for losing heroic sums of investors' money?

It is right to be sceptical, but it is worth bearing in mind that there is an urgent demand for this form of finance. The venture capital industry – much of it imported from the US – took the UK by storm in the last recession and raised huge sums of money from institutions eager to invest in smaller companies. The fact remains, however, that owing to the high fixed costs of each transaction and the prospect of juicier returns most UK funds are only interested in sizeable management buy-outs or development capital deals in the £250,000 to £1m range. Unfashionable as it may be to say so, the equity gap for businesses seeking £50,000 to £250,000 is alive and well.

In theory, the banks should be ideally placed to help given their nationwide networks and large balance sheets. But in practice – best illustrated by the rise and fall of National Westminster's Growth Options initiative – bankers themselves have not made good venture capitalists. On top of this, it has proved difficult in practice to identify the good propositions, without damaging traditional banking relationships and alienating managers in the field.

Midland's centrally-based team of professional venture capitalists – working through the corporate banking centres which in common with its peers it has established over the last decade – is another attempt to find the solution. The risks remain, but in theory the service should be more cost effective than say 3i. Midland is at least addressing the problem that many small business loans at this stage in the cycle are *de facto* equity without the upside. The prize for any bank getting it right will be a lucrative one.

Taylor Woodrow

The resignation of Mr Peter Hedges as chairman of Taylor Woodrow Property is a vivid sign of the times. His skills were in building up the legacy he leaves behind – a high quality, well-let property portfolio – rather than collecting the rents which nowadays are the cash-strapped Taylor's top priority. That would hardly have been an exciting prospect for the man once tipped to be chairman.

Maps show sites of waste dumps at sea

By Bronwen Maddox, Environment Correspondent

BRITAIN, the Irish Republic and Norway were the only countries among 12 which border the north-east Atlantic to dump chemical waste off their shores in 1990, according to maps due to be circulated today to ministers from the 12 countries.

The maps, produced by the Oslo Commission, which regulates dumping in the Atlantic, also show that potentially harmful waste has been dumped along much of the European and Nordic coastlines.

Ministers from the 12 countries – the UK, France, Belgium, Denmark, Germany, Iceland, Ireland, the Netherlands, Norway, Portugal, Spain and Sweden – are meeting in Paris in an attempt to sign a new treaty to combat pollution in the Atlantic. But Britain is threatening to scupper the treaty unless it retains the right to dump low-level radioactive waste at sea.

The commission's annual report for 1992, due to be published this week, shows that in 1990 the UK dumped chemical waste off the coast of East Anglia, Hartlepool, Blyth, and Newcastle. Ireland dumped chemical waste near Cork, and Norway in its "internal" waters, which are outside the scope of the Oslo treaty. All but two of the 12 submitted figures showing that they had dumped waste dredged from river beds and estuaries near their coasts in 1990.

Mr Klaus Topfer, the German environment minister, said this weekend: "We will do our best in Paris to convince people not to use the sea as a dumping place."

Environmental groups have warned that the dispute over radioactive dumping should not distract attention from the dangers of chemical waste and waste from dredged rivers and estuaries.

Map, Page 6
East's pollution 'threat to Germany's targets', Page 6

Serb offensive threatens to undermine UN aid effort

By Judy Dempsey in Belgrade

BOSNIA'S Serb forces yesterday stepped up their attempts to gain control of the main routes into Sarajevo in an offensive aimed at consolidating their positions before winter.

The aid operation could be undermined, if Serb forces, led by Mr Radovan Karadzic, gain the suburb of Stup, western diplomats said yesterday.

This would allow them to control a strategic route linking the airport to the city, and one of the main western road routes used by international aid convoys.

"This means that no matter what agreements are signed in Geneva, the Serbs, who are working hand-in-glove with Croatian forces in Bosnia, will be able to intimidate the aid convoys at any time, and will be able to maintain the pressure on forces loyal to the Bosnian government", a western diplomat in Belgrade said yesterday.

The Serb offensive coincided with fresh efforts by the United Nations High Commission on Refugees to resume humanitarian aid operations to the city.

All flights were suspended after an Italian aid aeroplane was shot down over Croatian-held territory on September 3.

In Sarajevo, the presidency building in the centre was alight with flames following heavy mortar attacks aimed from Serb-held areas on the hills around the city.

Despite the heavy fighting a aeroplane carrying General Philippe Morillon and other senior UN officers, landed safely in the capital to start preparations for expanding the UN humanitarian relief operation in the republic.

The current UN forces of 1,500, which are based in Sarajevo, will be increased by 6,000. They will then be deployed in four other cities in Bosnia to protect UNHCR aid convoys.

But the success of the relief operation will depend on gaining secure access of the airport and its routes into Sarajevo.

The Serb offensive, launched against Stup last week, also confirmed that Mr Karadzic had not placed all his artillery under UN monitoring, despite his promises.

The bombarding of Stup, and the continuous shelling of Sarajevo indicated that Serb forces retained large quantities of heavy ammunition.

A statement issued by the Bosnian government said 53 people were killed and 285 wounded in fighting throughout the republic during the weekend.

It added that 21 people had died and 170 wounded in Sarajevo alone. Another journalist was killed in the Croat-held city of Mostar, in the south-west.

More than 10,000 people have died over the past nine months in fighting in the republic which broke out before the European Community recognised Bosnia's independence last April.

Meanwhile the UN Security Council recommended at the weekend that the general assembly deny the rump Yugoslavia, consisting of Serbia and Montenegro, a seat as legal successor to former Yugoslavia.

It also recommended that it apply for membership as a new country.

Western diplomats yesterday said the suspension of Yugoslavia could make the position of Mr Milan Panic, the prime minister of Yugoslavia, more vulnerable in Belgrade.

Mr Panic, who arrives in New York today to discuss the future status of Yugoslavia.

French narrowly approve treaty

Continued from Page 1

ruling socialist party, said the result was "only an amber light, not a green one" for the Maastricht treaty to go ahead. The leaders of Europe would now have to take account of the sizeable French No – slightly more than 48 per cent, according to first estimates – as well as the majority Danish rejection of Maastricht in June.

Mr Jean-Marie Le Pen, leader of the Front National, said that taking account of abstentions, "only one French citizen in three has actually voted for Maastricht". Therefore, the leader of the extreme right Front National party claimed the victory of the government and its pro-Maastricht allies, who had "scandalously monopolised" the media during the long referendum campaign, was "Pyrrhic".

EC foreign ministers are to meet today in New York to take stock of the French vote. Britain, as Community president, may call a summit of heads of government to discuss their strategy for securing ratification of the treaty by other governments, which is by no means assured.

Quite apart from whether or not Danish voters can be persuaded to reverse last June's referendum rejection of the treaty, concern is growing in Brussels and Bonn about whether Mr John Major, the British prime minister, can get the UK parliament to ratify the treaty, after the government's humiliating defeat on sterling policy last week.

"The <British> problem was there even before we had the referendum," said Belgium's EC commissioner, Mr Karel Van Miert.

But asked whether the UK could be the next weak link in the Maastricht chain, he said "I tend to believe that is the case."

Mr Van Miert was very cautious about the immediate future. "I think everyone has a clear impression about how much damage has been done over the last few weks," he said. "The first task is to stop the drift apart in the Community from worsening," he argued. "When things start to go downhill it's difficult to stop them."

But, he added, with the French vote "we at least get a good chance to start again, as long as we learn the lessons of what happened."

The German government also expressed concern at the increasingly negative mood of Britain. "I believe that this positive result will be quite decisive for Europe," Mr Klaus Kinkel, the Foreign Minister, said in a television interview from New York.

At the same time he called for some serious reflection between the EC member states on the obvious desire of many European citizens "to preserve their national identity" within an integrated Community.

Chancellor Helmut Kohl will make a declaration today on Europe, which can be expected to restate his absolute commitment to both economic and political union.

Irish poll

Continued from Page 1

The statement said: "If ... our negotiations achieved the basis of a 'new beginning' in the relationship between the two (nationalist and unionist) traditions in Ireland, and if agreement on a fair and honourable accommodation between them were to entail any constitutional consequence in our jurisdiction, the government could approach the electorate with the hope and prospect of a positive response".

Mr Ken McGinnis, the deputy leader of the Official Unionist Party said: "The tone has modified noticeably from what we previously understood to be the Irish government's position."

However, Mr Sammy Wilson, a spokesman for the DUP, said the Irish government's position was "totally unattractive".

Finance ministers ready to act for stability

Continued from Page 1

Mr Lamont said that Mr Waigel on Saturday had said he hoped conditions would be established, "though not necessarily immediately" for interest rates in Germany to come down. "I think everybody is of the view, including the Germans, that we would like in time to see lower interest rates."

Germany had not been criticised, he said, for its high interest rates "but obviously there was a lot of discussion of the consequences of reunification for the world economy and for interest rates." He said Germany had a "uniquely difficult task to deal with".

Some of the tensions underlying economic relations among the industrialised countries surfaced away from the G7 meeting. It is understood that in bilateral talks with Mr Waigel, Mr Nicholas Brady, the US treasury secretary, repeated the US belief that Germany should cut its interest rates to promote growth in Europe.

President George Bush was expected to take up this theme last night at a reception for ministers attending the annual meeting of the International Monetary Fund.

Mr Sapin said yesterday before the referendum result that he had given considerable thought to what needed to be done in the event of a Yes vote – including the provision of celebratory champagne; he had never considered the possibility of a No vote. "I know all the ills it would bring, but I have never taken it into account," he said.

But Mr Piero Barucci, Italy's treasury minister, said he was not sure the lira could return to the exchange rate mechanism tomorrow as he had said earlier.

World Weather

UK Today: Generally cloudy over England and Wales. Outbreaks of rain developing and spreading during the day with thunder in places. Windy and cool in the east with early mist. Near normal temperatures elsewhere.

		°C	°F	Cairo	S	29	84	Inverness	S	13	55	Milan	S	25	77	Salzburg	S	20	68
Ajaccio	S	26	79	Cape Town	F	15	59	Isle of Man	S	13	55	Montreal †	F	11	52	S'Francisco †	S	13	55
Algiers	F	31	88	Cardiff	F	16	61	Istanbul	F	23	73	Moscow	S	15	59	Seoul	F	24	75
Amsterdam	C	18	64	Chicago †	S	10	50	Jersey	S	18	64	Munich	S	19	66	Singapore		–	–
Athens	S	28	82	Cologne	C	18	64	Johannesburg	S	27	81	Nairobi	C	25	77	Stockholm	F	14	57
Bahrain	S	33	91	Copenhagen	F	17	63	Las Palmas	F	24	75	Naples	S	28	82	Strasbourg	S	18	64
Barcelona	F	26	79	Corfu	F	27	81	Leeds	R	17	63	Nassau		–	–	Sydney	S	16	61
Beijing	C	19	66	Dallas †	F	24	75	Lisbon	S	22	72	Newcastle	F	16	61	Tangier	S	24	75
Belfast	S	13	55	Dublin	F	14	57	Locarno	S	22	72	New Delhi	F	32	90	Tel Aviv	F	27	81
Belgrade	S	23	73	Dubrovnik		–	–	London	C	17	63	New York †	S	15	59	Tenerife	S	25	77
Berlin	C	15	59	Edinburgh	R	13	55	Los Angeles †	F	18	64	Nice	S	24	75	Tokyo	C	24	75
Biarritz	F	22	72	Faro	S	25	77	Luxembourg	S	19	66	Nicosia	S	27	81	Toronto †	S	7	45
Birmingham	C	17	63	Florence	S	26	79	Madeira	F	23	73	Oporto	C	17	63	Tunis	S	30	86
Blackpool	F	16	61	Frankfurt	F	17	63	Madrid	S	27	81	Oslo	F	15	59	Valencia	F	26	79
Bombay	S	31	88	Geneva	S	21	70	Majorca	S	28	82	Paris	C	18	64	Vancouver †	R	14	57
Bordeaux	C	20	68	Gibraltar	F	24	75	Malaga	S	26	79	Perth	R	16	61	Venice	S	25	77
Boulogne	C	17	63	Glasgow	R	11	52	Malta	F	28	82	Prague	S	20	68	Vienna	S	20	68
Bristol	C	15	59	Guernsey	C	17	63	Manchester	F	16	61	Reykjavik	F	11	52	Warsaw	F	16	61
Brussels	C	17	63	Helsinki	F	14	57	Melbourne	C	13	55	Rhodes	S	27	81	Washington †	C	17	63
Budapest	S	21	70	Hong Kong	S	31	88	Mexico City		–	–	Rio de Janeiro		–	–	Wellington	C	11	52
Buenos Aires		–	–	Innsbruck	S	20	68	Miami †	S	25	77	Rome	S	26	79	Zurich	C	18	64

Temperatures at midday yesterday † Noon GMT temperatures C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

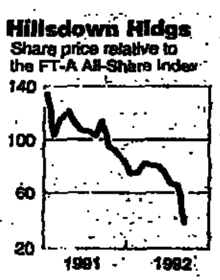
FINANCIAL TIMES
COMPANIES & MARKETS
Monday September 21 1992

INSIDE

US suffers a glut of corporate bonds

A rush of offerings spurred by the latest US interest rate cut has left the US corporate bond market suffering a bout of indigestion. After the Labor Day holiday on September 7, Wall Street's investment bankers returned to work to a deluge of orders from companies keen to take advantage of the lowest interest rates in three decades. But the heavy supply of paper overwhelmed demand, leaving many banks with unsold stock. Page 27

Hillsdown fails to woo investors



For five years, Sir Harry Solomon, chairman of Hillsdown Holdings, has repeated one central message to the City of London: the days of go-go diversification were over, and the company would focus on developing as a food manufacturer. He hoped to rally investor confidence, but although Hillsdown's food business has grown to the fifth largest in Europe, the message has failed to get through. The company's £281m ($497.4m) rights issue last autumn flopped, and its share price has tumbled by two thirds in the past year. Page 24

Rolls-Royce in Canada venture

Rolls-Royce, the UK aero-engine maker, is forming a company in Canada to develop and manufacture an industrial version of its Trent 800 turbofan aircraft engine in co-operation with Westinghouse Electric. The cost of the venture will be C$140m (US$116.8m). Page 24

Italcementi warns on profits

Italcementi, Italy's biggest cement group, which this year became one of the world's largest producers after buying Ciments Français in France, has warned of lower profits and dividends for 1992. Mr Giampiero Pesenti, chairman, said sales for the first half of this year rose 4.7 per cent to L768bn (£345.7m). However, the group was being held back in the home market. Page 25

Microsoft helps FTC probe

Microsoft, the leading US personal computer software developer, is continuing to co-operate with a Federal Trade Commission (FTC) investigation into alleged anti-competitive actions, the company confirmed at the weekend. Page 25

Market Statistics

Companies in this issue

Joint venture could provide one solution to UK-based airline's financial problems

Dan-Air parent and Virgin in merger talks

By Sara Webb and Jane Fuller in London

DAVIES & Newman Holdings, owner of Dan-Air, the UK-based airline, has begun preliminary merger discussions with Mr Richard Branson's Virgin Atlantic airline. This follows the collapse of talks between Dan-Air's parent and British Airways earlier this month.

Davies & Newman is interested in finding a buyer or in forming a partnership with another airline to stave off financial difficulties.

The UK recession has had a severe effect on the airline. Davies & Newman is expected to show a pre-tax loss of about £7m ($12.4m) in 1992. At the time of its refinancing a year ago it forecast pre-tax profits of £20m.

British Airways is understood to have held "very detailed discussions" with Dan-Air over several months about either a merger or some form of partnership, according to one City of London source. The talks were called off about a week ago and no formal reason for ending discussions was given.

Mr Richard Branson, chairman of Virgin Atlantic, was unavailable for comment yesterday.

A merger or partnership would provide one solution to Dan-Air's financial problems. Although the group has very little borrowings at the end of the peak travel season, its position deteriorates during winter. This raises questions over whether its £35m borrowing facility will prove sufficient and whether it will breach a banking covenant linked to 1992 profits.

A return to the market to raise funds looks unlikely because the share price has fallen well below the 50p rescue issue price. Davies & Newman almost collapsed a year ago, but was refloated in October 1991 with a £49.3m share issue. The group reported a pre-tax loss of £35.4m in 1991.

Mr David James, the company doctor-chairman, warned in May that weak economic growth would have an adverse effect on the airline. "In our listing particulars we drew attention to the fact that passenger traffic generally grows at twice the rate of gross domestic product. Whereas we had adopted the widely expected GDP growth of 2.6 per cent to give passenger growth of 5.2 per cent, the growth so far in 1992 has been negligible."

Dan-Air's attractions to a would-be buyer include its strong position at Gatwick airport and its range of European routes. It is Europe's 12th largest airline.

Its share price has recovered in the past few weeks from a low of 11p. At Friday's close of 19p, its market value was £21.8m. A recent buyer of the shares said the gamble was more to do with a possible deal with another airline than on recovery hopes behind the rescue share issue.

City jitters sour Tesco's share price

The UK's second biggest grocery chain is believed to have suffered more than its rivals, writes **John Thornhill**

The City of London is convinced something is awry at Tesco. The problem is no-one is sure exactly what.

Over the past few months, the share price of the UK's second biggest grocery chain has fallen more than 15 per cent relative to the market as a succession of ugly rumours has swept through the City. Tesco's market value is now more than £3bn ($5.3m), less than Sainsbury's £7.6bn.

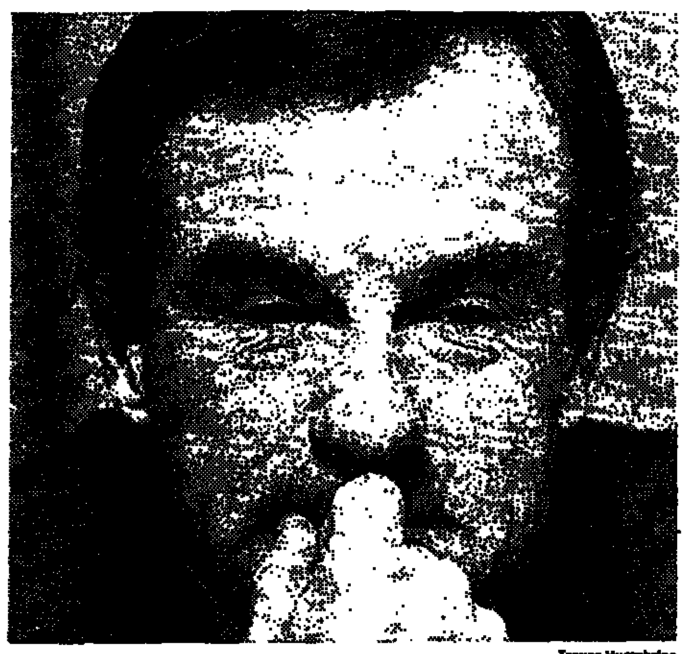
All food retailers have had a difficult summer because of sticky sales volumes, consumer uncertainty caused by the lingering recession and sharp food price deflation. But it is widely believed Tesco has suffered more than most.

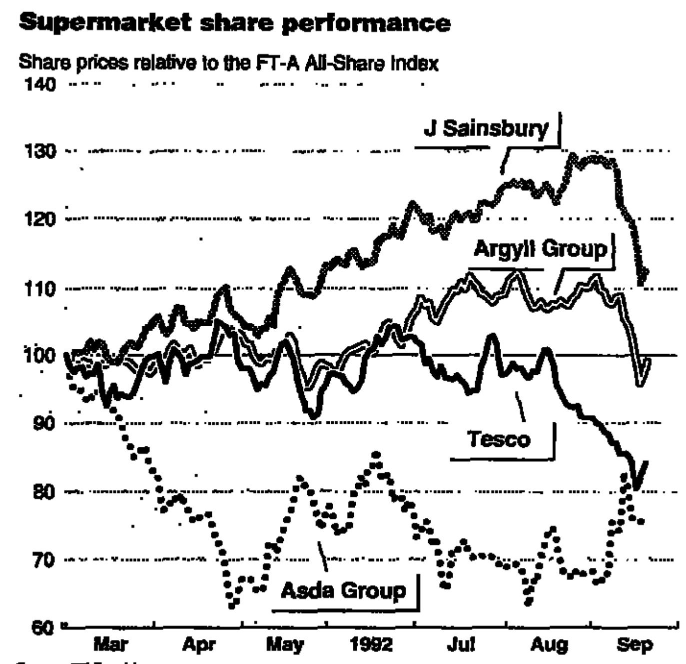
"The industry numbers have been lousy. The Institute of Grocery Distribution figures have been slightly negative with everybody else saying they are up. There has to be a big loser for the sums to add up and the fear is that it is Tesco," says Mr Nick Bubb, retail analyst at stockbrokers Morgan Stanley.

Tesco's interim results presentation tomorrow will therefore be viewed as a crunch moment for the company and – perhaps – for the industry as a whole. Although Tesco's figures are likely to be perfectly respectable with margins widening and pre-tax profits climbing from £229.6m to between £245m and £255m, the City's attention will focus rigorously on the company's trading performance since the beginning of August.

Are there signs of the company's prodigious growth record – which has seen profits grow over the past five years from £219m to £546m – beginning to stall? Is the company's near-£1bn a year capital spending programme – most of it on new stores – in danger of faltering?

"My feeling is that either Tesco will say something that will knock all the rumours on the head and send the share price 10 per cent to 15 per cent higher or their reputation will take a knock that will endure for some time to come," says Mr Paul Smiddy, food retailing analyst at Kleinwort Benson.


Trevor Humphries
Sir Ian MacLaurin, Tesco's chairman: under pressure



Source: FT Graphite

The jitteriness is understandable given the vast sums at stake. In February 1991 Tesco tapped the stock market for £572m to help fund its development programme. Its move was followed by rights issues from J. Sainsbury, Argyll Group (owners of Safeway), Wm Morrison and Asda. Between them they took £1.8bn from their shareholders. What returns these funds will generate is clearly a matter of great concern.

Analysts argue that Tesco's sales are under more pressure than those of its rivals for a variety of reasons. Tesco, they say, is more exposed to sales of low-margin petrol and non-food items, such as clothes. Its normally aggressive marketing promotions have been suspiciously quiet. Its stores, many far bigger than those of its rivals, are located in some of the economically worst-hit areas of the country.

The shopping habits of some of its customers – dubbed Thatcher's Children – who live in outer-metropolitan areas have proved more fickle than those of Sainsbury's and Safeway's more steadfast shoppers.

However, analysts will be most interested in the performance of Tesco's newly opened stores, which anecdotal evidence suggests have been trading below expectations.

Mr Bill Myers, food retailing analyst at stockbrokers Henderson Crosthwaite, says: "In the long view Tesco is a superb company with superb prospects. But if it really is the case that it has difficulties with sales progress at its new stores then that is potentially a very serious problem."

Over the past few years, the big supermarket groups have developed highly sophisticated computer modelling techniques to predict a new store's sales patterns. By using a mass of demographic information – such as the local population's size, age, income and levels of car and home ownership – they were able to forecast the likely turnover of any store.

Until recently it was Tesco's proud boast that its sales forecasts were never wrong by more than 5 per cent. And with such a high degree of accuracy, the company was happy to spend up to £35m on a new superstore, confident it could rely on a predictable stream of cash to generate its investment returns and provide funds for future expansion. Tesco's plans envisaged the addition of 25 new superstores a year for the next four years.

But the widespread suspicion in the City is that for some – as yet unaccountable – reason Tesco's "holy grail" has been poisoned. New store sales are believed to have been disappointing and even a small reduction in the expected volume can have a disproportionate effect on a store's profitability because of its high and rigid fixed operating costs.

Tesco has been unable to dispel such fears because it has been bound by the normal Stock Exchange conventions which prevent it from commenting ahead of its results. But its reaction tomorrow will be keenly awaited.

The company may simply press ahead aggressively with its store opening programme arguing that the sales hiccup is simply a temporary recession-induced aberration – which may be eased anyway by sterling's effective devaluation and a slowing of food price deflation.

Alternatively, Tesco may begin to scale back on its site development programme and look for more attractive investment opportunities elsewhere either by expanding its Metro chain of high street stores or moving into another retailing sector altogether. It has also been intensively investigating opportunities abroad.

"It will be fascinating to see how Tesco reacts to its recent problems. The astonishing quietness on the marketing front implies that there has been a pause for serious thought," says Mr Bubb of Morgan Stanley.

No-one can yet be sure whether the recent sales malaise is merely a temporary phenomenon caused by recession and the sharp price deflation for food or a symptom of more ominous industry trends.

Tesco's combative chairman Sir Ian MacLaurin can certainly be relied upon to come out tomorrow with all guns blazing. But it will be more than normally interesting to see in which direction the barrels will be pointing.

World Bank's spotlight on Russia's woes

Economics Notebook

By Peter Norman

The upheaval last week in the European currency markets was spectacular.

But on the Richter scale of economic convulsions, the forced realignments in the European Monetary System and the unprecedented decisions to release sterling and the Italian lira from their obligations in the European exchange rate mechanism must still rank some way below the economic crisis engulfing Russia.

The finance ministers of the Group of Seven leading industrial countries heard something of these problems when Mr Alexander Shokhin, Russia's deputy prime minister for foreign affairs, and other Russian officials joined their meeting on Saturday.

But for a comprehensive and deeply disturbing account of the problems confronting the former Soviet republic, western governments would be well advised to read a new World Bank study on Russia due to be released later this week.

The study, which runs to more than 300 pages with technical appendices and statistics, is up to date. Russia only became a World Bank member in June. The report takes into account developments since then and was discussed with the Russian authorities in Moscow earlier this month.

It makes clear that the former Soviet republic is facing problems of almost unfathomable proportions and the outlook is for conditions to worsen rather than improve.

Inflation this year is expected to be around 1,500 per cent, far more than in other reforming socialist countries. Poland, for example, experienced 250 per cent inflation in 1990.

Output in real terms has fallen between 30 per cent and 40 per cent since 1989, according to World Bank estimates. The output drop over the past 12 months alone has been about 15 per cent.

Import volumes have plummeted – by 50 per cent last year – and the bank expects a further fall of about 20 per cent this year. Exports this year are expected to be about half the levels of 1990. Oil exports, which fell by 50 per cent last year, are expected to decline further in 1992, by around 11 per cent in volume.

The warnings in the report are stark. "Slippages and missteps can be expected and have occurred" in Russia's economic reform programme. Implementation of structural and institutional reforms, other than price liberalisation, has lagged. There is a danger the managers of Russia's fiscal and monetary policy "will be unable to resist the pressures for a major relaxation" of policy.

"The risks are immense," including "a slide into hyperinflation, a decline in output to an unsustainable level, or both, along with the political implications of the failure of the economic reform process". Moreover, says the bank, "the government is now reaching a stage where its commitment to the reform process will be severely tested" because the scope for relatively painless adjustments has been exhausted.

Not all the administrative problems are on the Russian side, however. Tucked away in its pages is recognition that the industrial countries' co-ordination of support such as technical assistance has not been as good as it might have been. The G7 on Saturday took steps to resolve this problem by urging the World Bank to form a special support group for Russia to discuss bilateral and multilateral technical assistance.

So far, as the World Bank noted, the Russian people have born their troubles with remarkable patience. This is partly because real wages have held up well in spite of the high inflation. Real wages are roughly at the level of 1987.

Another reason is that employment fell only about 1 per cent last year. But the next phase of the reform process will have to address the problems of the labour force and industrial restructuring which will mean inevitable sharp increases in unemployment and idle plants. With perhaps 3m to 4m people likely to lose their jobs within a year, the World Bank insists that a social safety net should be a high priority.

The report cannot hide underlying scepticism about the central state's ability to prevent plans slipping and unravelling. "Russia is facing a crisis of governance," the bank says. "A major effort is needed to develop a capacity to govern and implement economic policy."

Meanwhile, Russia's industrialised creditor nations will have to accept some messy compromises. For example, the report warns that achieving lower inflation will take longer than anticipated.

Knowing where to compromise is a big problem facing the industrialised world. At the weekend, Lady Thatcher, the former British prime minister, appealed to the G7 and IMF not to be too tough on Russia. The Russian people had a larger task on their hands than any ever known in the West. If their efforts to create a free enterprise society were to end in chaos "they will turn away from democracy to another strong man," she said.

Another, opposite view came last week from Mr Horst Schulmann, managing director of the Institute for International Finance, the Washington-based organisation owned by commercial banks to monitor sovereign debtors. He urged the Paris Club of creditor nations not to reschedule Russia's foreign debts without securing improvements in its economic and financial policies.

The importance of reaching a settlement of Russia's foreign debt problems is considerable. The World Bank report estimates the country will need to mobilise some $20bn a year of external financial resources for the next few years to support the reforms. Russia's external financial requirement is put at about $23bn this year with a comparable amount thought necessary in 1993.

About two thirds of this will come from export credit agencies, through bilateral aid packages or from multilateral institutions such as the World Bank or the European Bank for Reconstruction and Development. Deferral of debt and rescheduling of Russia's debt service obligations are expected to provide the rest.

UK life insurers poised to merge

By Norma Cohen, Investments Correspondent

CLERICAL Medical and National Provident Institution, both mutually owned life insurers, are shortly expected to announce a merger creating a new company with £11bn in assets under management.

The merger would be part of a growing trend among mutually owned life insurers, who need either to merge or demutualise in the quest for capital. Mutually owned life companies need to expand distribution channels and meet reserve requirements to write new business.

Earlier this year, National Provident said it would limit sales of its single-premium with-profits bonds – the life industry's most successful product in the past year – due to concern about the strain the sales were placing on reserves.

Sir Douglas Morpeth, chairman of Clerical Medical, would only say there had been widespread speculation about the deal.

However, he said Clerical Medical "has been discussing business combinations with various parties for some time."

Last January, Clerical Medical said it would provide life office administration and investment management for a new joint venture life insurance company 92 per cent owned by National Westminster Bank.

Sir Douglas said Clerical Medical, like other mutually owned life insurers, would have to consider its future in the face of growing competition from Europe and the need to raise capital for expansion.

TVS founder attacks terms of US cable bid

By Sara Webb

MR JAMES Gatward, founder and former chief executive of TVS Entertainment, yesterday criticised the terms of a proposed takeover by International Family Entertainment, the US cable television company, saying it failed to reflect the company's true value.

Mr Gatward, who was ousted from his position at TVS in February 1991, said he had already been in contact with some of the company's private shareholders and expected to talk to others this week about the terms of the takeover.

International Family Entertainment last week offered £38.2m to acquire TVS, the ITV company which lost its licence. The deal is worth 25p per ordinary share and 45p per preference share, and has the support of 30 per cent of shareholders.

Mr Gatward is one of the largest private shareholders in TVS with 350,000 ordinary shares (out of a total of about 60m shares). He said the US cable television company's offer undervalued TVS, pointing out that at the end of 1991 TVS had net assets of £47.4m.

International Family Entertainment is buying TVS primarily for MTM, its US production company which is responsible for programmes such as Hill Street Blues.

MTM has been a thorn in TVS's side. Last year pre-tax losses jumped from £8.3m to £26.7m in 1991. These included a further exceptional provision of £33.9m (£25.1m) against the programme stock of MTM.

French Prop net assets static

French Property Trust had a net asset value of 68.21p per share at June 30.

The outcome showed little change on the 68.67p for the comparable period – the 12 months to end December.

Net revenue for the six months amounted to £132,786 against £383,608 for earnings of 0.53p (1.53p) per share.

The company did not declare an interim dividend.

Rolls-Royce in C$140m aircraft engine venture

By Bernard Simon in Toronto

ROLLS-ROYCE, the UK aero-engine maker, is forming a company in Canada to develop and manufacture an industrial version of its Trent 800 turbofan aircraft engine in co-operation with Westinghouse Electric.

The total cost of the venture will be C$140m (£66m) of which C$17m will be in the form of interest-free loans from the federal and Quebec governments.

The net cost to Rolls-Royce will be reduced, however, by various investment tax credits.

The company, to be called Rolls-Royce Gas Turbine Engines Canada, will be located near Montreal and will initially employ 50 engineers.

Rolls-Royce already has a substantial presence in Canada, with subsidiaries employing 3,250 people and annual revenues of more than C$500m.

Rolls-Royce said the engine, with a generating capacity of 50 megawatts, will be designed for industrial power generation and for utilities requiring peak-hour generating capacity.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Reed International (UK)/ Elsevier (Holland)	Reed Elsevier	Publishing	£5.2bn	50-50 merger planned
Lufthansa/Davis (Germany/US)	Contential Airlines (US)	Airlines	£216m	Investment proposal filed
Concord Camera (US)	Units of Gestetner (UK)	Camera distribution	£32.8m	Non-core disposal
MariFarms (US)	Marine Harvest International (UK)	Salmon production	£22m	Unilever sale
Foodmark (Denmark)	Macfish (UK)	Fish processing	£18.36m	Overcapacity drives sale
International Family Entertainment (US)	TVS Entertainment (UK)	Television	£38.2m	IFE wants MTM
Great Lakes Chemicals (US) 3	Societe Francaise d'Organao Sythese (France)	Specialty chemicals	n/a	Rhone-Poulenc sale
Montecatini (Italy)/ Shell Chemicals (UK/Holland)	JV	Petrochemicals	n/a	Major industry restructuring
GTM-Entrapose (France) /John Laing (UK)/NCC (Sweden)/Strabag Bau (Germany)	Societe Europeenne de Construction (JV)	Construction	n/a	Infrastructure venture
Edizione Holding (Italy)	TWR Group (UK)	Motors	n/a	Benetton takes 50%

The dilemma facing food's rag and bone men

Fresh doubts are emerging about prospects for Hillsdown, Guy de Jonquières reports

FOR five years, Sir Harry Solomon, chairman of Hillsdown Holdings, has repeated one central message to the City. It is that the company's days of go-go diversification are over, and from now on it will focus squarely on developing as a food manufacturer.

By stressing long-term commitment to a stable core business, Sir Harry has hoped to rally investor confidence, which was badly jolted when the 1987 stock market crash abruptly ended Hillsdown's brief record of meteoric, acquisition-led, growth.

But though Hillsdown's food business has grown to the fifth largest in Europe and 80 per cent of group sales, the message has failed to get through. The company's £281m rights issue last autumn flopped, and its share price has tumbled by two thirds in the past year to close at 83¼p on Friday.

Now, as recession catches up with the food industry, fresh doubts are emerging about prospects for Hillsdown, which last week reported slightly higher pre-tax profits but lower operating results for the first half. The doubts turn not just on current trading performance, but on the soundness of the company's basic strategy and business mix.

Hillsdown has followed a simple formula to grow big in food. Unable to afford to buy companies with top brands, which can command premium prices for their products, it has relied on acquiring and rationalising run-down producers of basic products. One City analyst calls the company "the rag and bone men of the food business."

The company has sought scale economies and efficiencies – and the volumes needed to stand up to powerful retailers – by establishing leadership in sectors such as poultry and red meat and building a vertically-integrated structure from farm gate to factory.

Its skilful cost-cutting, firm management controls and continuous high levels of investment are widely praised. However, the question is whether its single-minded emphasis on low-cost production is enough to guarantee sustained high margins and competitive strength in the future.

As Mr David Lang of stockbrokers Henderson Crosthwaite puts it: "Hillsdown bought terrible businesses and made them half-decent. But the trick of turning them into really good businesses has eluded the company."

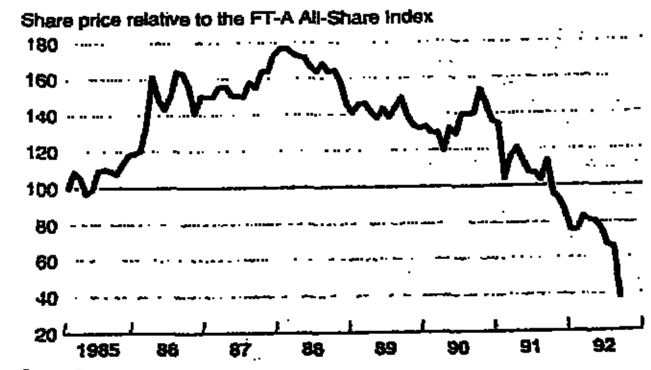
Hillsdown's dilemma is that it seems unable to outgrow its past. Though efficient, many of its businesses remain trapped in low value-added sectors beset by chronic excess capacity, poor margins and fierce domestic and foreign price competition.

The problems have been underlined in chickens. In the past 18 months continental producers – aided by more favourable tax systems, cheaper feed and less exacting health standards than in the UK – have flooded Britain with birds at prices which Hillsdown has difficulty matching.

In red meat, Hillsdown's slaughterhouses are under

Hillsdown Holdings

Share price relative to the FT-A All-Share Index



Source: Datastream

pressure from marginal UK operators which were recently given another three years to comply with rigorous EC hygiene rules, while the company's canning business is embroiled in a price war.

Hillsdown has responded by doing what it knows best – acquiring and rationalising troubled large competitors, notably Associated British Foods' Anglia canning operations and Unigate's JP Wood poultry business.

However, while these steps were widely considered essential to safeguard Hillsdown's business, the economics are increasingly questioned. "Money from last year's rights issue is going into factory closures and redundancy payments just to protect the existing base," says one analyst.

Furthermore, far from increasing Hillsdown's bargaining power with supermarkets, some acquisitions have cost the company business. The Anglia deal prompted several retailers to transfer contracts to smaller suppliers.

Hillsdown recognises that it needs to create a stronger market franchise by putting more emphasis on product strategy. It is withdrawing from commodity businesses such as frozen chicken and has moved into higher-value lines such as prepared meals, sandwiches and salads.

However, it faces several challenges. Having long relied on manufacturing efficiency as its prime competitive weapon, Hillsdown lacks a marketing culture. Its sales of branded groceries – chiefly by the Premier and Canadian Maple Leaf subsidiaries – are relatively small, and spending on advertising and product support is modest.

As a consequence, its quest for higher margins will hinge on private-label products, which retailers sell under their own name. Hillsdown is already Britain's leading supplier of private-label goods, which provide most of its UK food-processing revenues.

However, profits in private-label products depend less on scale than on dedicated specialisation, agility and close co-operation with retailers. Hillsdown has yet to match Northern Foods' – admittedly exceptional – success in building a lucrative private-label business on long experience in the dairy industry and a close relationship with Marks and Spencer.

Hillsdown's structure may also be becoming a handicap. Growing price competition from abroad and the trend among UK supermarkets to shop around Europe for commodity items such as fresh chicken make the advantages of vertical integration increasingly questionable.

Though Hillsdown is streamlining poultry production, Mr David Newton, chief operating officer, concedes volumes will still exceed demand for higher-value processed items such as breaded and stuffed chicken which, in any case, are subject to increasing competition.

Some of these weaknesses may be dealt with by further restructuring. But others will require deeper, longer-term changes in corporate culture and skills. Unless that challenge is met, Hillsdown's fortunes seem likely to remain closely tied to the ups and downs of consumer spending and the commodity cycle long after the current recession has ended.

NEWS DIGEST

Sheffield Insulations climbs 30%

SHEFFIELD Insulations Group, which supplies insulation products and services for energy conservation, reported a 30 per cent increase in interim pre-tax profits despite a continuing decline in construction activity.

Figures for the first half of 1992 were £1.36m (£1.05m) on turnover static at £66.7m (£66.8m).

Basic earnings per share rose 18 per cent to 3.3p (2.8p) or 3.2p (2.7p) fully diluted. The interim dividend is being maintained at 1.8p.

GT Venture Invest net assets ahead

GT Venture Investment Company saw its basic net asset value increase from 144p to 146.2p over the 12 months to June 30. Diluted assets improved from 137.8p to 139.7p.

Net profits were £438,000 (£468,000) for earnings per share of 3.01p (3.2p). A single unchanged final dividend of 2.5p is proposed.

The trust has reached agreement with holders of its outstanding £18.4m nominal of convertible unsecured loan stock 1999 to redeem the stock at a significant discount to the nominal amount plus accrued premium totalling £20.2m.

Holders have agreed to cancellation of conversion rights and interest will become payable annually instead of being rolled up. As a consequence the company warned that there would have to a substantial reduction in future dividend payments.

The company is planning to change its name to Pantheon International Participations.

Restructuring boost for Business Tech

The benefits of a restructuring programme are reflected in the interim results of Business Technology Group, the office equipment concern, which show a pre-tax profit of £212,000 for the first half of 1992, against a £154,000 loss last time.

The profit was achieved on a reduced turnover of £11.1m (£30.4m).

Earnings per share were 0.75p (0.42p losses). There is again no interim dividend, but dividend policy will be reviewed in the light of the full year results.

Microsoft restates anti-trust denial

By Louise Kehoe in San Francisco

MICROSOFT, the US personal computer software developer, is continuing to co-operate with a Federal Trade Commission (FTC) probe into alleged anti-competitive actions, the company has confirmed.

This follows a report that the FTC may soon file charges of "exclusionary behaviour" against the company.

"Microsoft is in frequent contact with the FTC on the investigation of Microsoft. We continue to believe that the company has done nothing wrong," it said. Microsoft had previously acknowledged it was subject to an FTC anti-trust probe.

Microsoft shares fell $1¼ to $79¾ on Friday, following publication of the report in Business Week magazine.

Mr Bill Gates, Microsoft chairman, has frequently expressed incredulity that the FTC could find any wrong-doing by his company. However, executives at several of Microsoft's competitors who say they have been interviewed by FTC investigators, are convinced Microsoft has used its dominant role in the personal computer software market unfairly to prevent competition.

As the supplier of Dos and Windows, the most widely used personal computer operating systems programs, Microsoft has a dominant position in that market. The Seattle-based company is also gaining market share in the applications programs market.

Italcementi chief warns of lower profits and dividends

By Haig Simonian in Milan

ITALCEMENTI, Italy's biggest cement group, which this year became one of the world's largest producers after buying Ciments Français in France, has warned of lower profits and dividends for 1992.

Mr Giampiero Pesenti, chairman, said sales for the first half of this year rose by 4.7 per cent to L768bn ($612m). However, the group was being held back in the home market, in which it has a share of over 30 per cent, by slow sales and continuing price controls, which prevented it from passing on higher costs.

Speaking at the annual meeting of Italmobiliare, his holding company, Mr Pesenti said Italcementi's cement deliveries had grown by 4.4 per cent in the first half, against a 6.1 per cent national average. Production, up by 4 per cent, had also lagged the national average.

Speaking of a "static period" in the home market, Mr Pesenti forecast this year's earnings and dividends would be overshadowed by rising costs and lower turnover owning to falling prices. "The dividend is bound to feel the block on prices and the rise in costs," he told shareholders.

First half sales also slipped at Ciments Français, acquired for L1,700bn, with a 5 per cent decrease to FFr7.5bn ($1.45bn). Adjusted for disposals, the fall was 1.6 per cent, and reflected the downturn in the French economy.

● Europa Metalli, the industrial arm of the Italian SMI non-ferrous metals group, reported a fall in first half consolidated turnover to L1,567bn from L1,610bn a year earlier, owing to the continuing drop in metals prices.

The group, which now controls Kabelmetal in Germany, gave no forecasts about the effect of exchange rate movements on sales and earnings this year after the devaluation of the lira.

The bulk of turnover is generated abroad, with Kabelmetal alone accounting for around half group sales.

Europa Metalli reported net losses of L3.9bn in the first half, compared with profits of L22.4bn. The plunge in earnings was caused largely by the problems in Europa Metalli's defence business, which has suffered from a lack of orders for ammunition by the Italian government.

Falling orders from the government by the end of this year, the group warned it would put its defence operation up for sale. The unit has around 200 employees, and lost around L8bn in the first half – more than its sales.

Hewlett to take one-off charge of $544m

By Louise Kehoe in San Francisco

HEWLETT-Packard (HP) is taking a $544m one-time charge before tax to adopt a revised method of accounting for the cost of medical insurance for retired employees.

The accounting change will result in a $332m after tax reduction in fiscal 1992 earnings.

HP is one of several US corporations that have adopted the new rule, set down by the Financial Accounting Standards Board, which requires companies to include in their accounts the long-term costs of medical benefits obligations.

HP's first-quarter earnings, originally reported as $306m, or $1.21 per share, have been restated as losses of $30m to reflect the charge.

Additional 1992 expenses, as a result of the accounting change, will be approximately $23m pre-tax.

Hongkong Land shows 3.7% rise to $152.8m at halfway

HONGKONG Land, one of the colony's leading property investment and development companies, has reported a 3.7 per cent rise in net profits to US$152.8m for the first half to June, up from $147.3m a year earlier, Reuter reports from Hong Kong. Earnings per share for the half year were 5.84 cents, up from 5.75 cents. The directors recommended a rise in the interim dividend to 3 cents a share from 2.85 cents. Turnover slipped to $194.3m from $195.1m.

Mr Simon Keswick, chairman, said the company was likely to show similar profits growth for the rest of the year.

"Although open market rentals in Hong Kong are again showing some increase, the effect of the group's three-year rent review cycle means that the profit growth in the full year is unlikely to be markedly different from that in the first six months," Mr Keswick said.

Occupancy in the group's office properties remained at 97 per cent, while open market rents had shown a modest increase since the start of the year. Hongkong Land is one third owned by Jardine Strategic, which in turn is 52 per cent owned by Jardine Matheson.

Simon Keswick: some increase in rentals

Sir Robert Jones to step down from RJI

By Terry Hall in Wellington

SIR ROBERT Jones, executive chairman of Robt. Jones Investments (RJI) of New Zealand, announced his retirement at Friday's annual meeting.

Sir Robert founded the company 10 years ago, and built it into the biggest listed property group in Australia and New Zealand, although he had it delisted from the Australian Stock Exchange in 1990 following a dispute.

Sir Robert, 53, said he was retiring to "go fishing and write books".

He said his departure would save the company money, a reference to his substantial management contract.

After Sir Robert's resignation, the New Zealand Stock Exchange surveillance panel censured him and Mr David Moriarty, RJI managing director, over their handling of a number of property deals.

Suzuki takes over joint venture

SUZUKI Motor, the Japanese minicar and motorcycle producer, has taken control of Pak Suzuki Motor, its nine-year-old joint venture in Pakistan which runs the country's only car plant, by increasing its equity to 40 per cent from 25 per cent, Reuter reports from Islamabad.

Mr Osamu Suzuki, president of Suzuki Motor, told a news conference his company had taken control of the venture with the aim of improving efficiency and exporting cars to the newly independent central Asian republics.

Under an agreement signed on Saturday, Suzuki bought an additional 15 per cent of Pak Suzuki shares worth Y861m ($7m) from the state-run Pakistan Automobile Corp as part of the privatisation programme of Mr Nawaz Sharif, prime minister.

The new management has agreed to increase production to 50,000 cars a year within two years, and to 100,000 in five years, from 25,000 now, said Mr Saeed Qadir, head of Pakistan's privatisation commission.

Pak Suzuki will be Pakistan's first privatised company to have a foreign management. More than 50 state enterprises have already been privatised.

Mr Suzuki said the company was now losing Rp600m ($24m) a year, which had eaten up earlier profits. He said he intended to "improve everything" in Pak Suzuki to make it financially sound.

Pak Suzuki was also interested in marketing its cars in the former Soviet republics of central Asia, Mr Suzuki said.

"If we achieve good results in Pakistan, we will export from Pakistan rather than open another plant in central Asia."

Toyota and Honda also plan to make cars in Pakistan.

Placer Dome takes 50% of Chile project

By Robert Gibbens in Montreal

PLACER Dome, Canada's biggest gold producer, plans to pay US$100m for a 50 per cent stake in the big Zaldivar copper property in northern Chile. Outokumpu, the Finnish mining and metals group, will become its partner.

Total development costs for Zaldivar are projected at US$500m, and Placer Dome will invest US$400m. The property is expected to come into production in 1995, based on a start-up in mid-1993.

● Dofasco, Canada's biggest steel maker, has found a potential buyer for its loss-making railcar unit.

TMB Industries, a Chicago steel products group, with Onex, a Toronto holding company, is negotiating to buy Dofasco's National Steel Car division for an undisclosed sum.

Shanghai Vacuum seeks rights issue to repay debt

SHANGHAI Vacuum Electron Device, the Chinese maker of television tubes and domestic fluorescent lamps, will seek approval at a shareholders' meeting on Wednesday to raise Yn600m ($107m) through a rights issue to repay bank debt, Reuter reports from Beijing.

Quoting the official China Daily, the agency said Shanghai Vacuum would also seek agreement for a share split and to revise the scope of its business. The stock split would give each share a face value of Yn10 compared with the present Yn100.

The company, which dominates the Shanghai stock market, expects to add Yn40m to its annual profits by reducing bank interest charges, according to Mr Xue Wenhai, chairman. He said the share split would reduce the company's price/earnings ratio and make the stock more attractive to local investors.

Shanghai Vacuum was the first Chinese company to offer special B shares for foreign investors.

However, the B shares have plunged in recent weeks along with other similar issues because supply has swamped demand.

Mr Xue said the price of the rights issue would be decided by the People's Bank of China, the market regulator. The China Daily made no mention of the ratio of the proposed rights issue.

Mr Xue said profits in the first eight months of this year reached Yn45m and the company would have no problem hitting its profit target of Yn72m for the full year.

To expand the scope of its business, Mr Xue said Shanghai Vacuum was holding talks with two Japanese companies about introducing technology and equipment to produce picture tube screens. He did not name the companies.

Omron slashes profits forecast

A DECLINE in Japanese companies' capital spending has forced Omron, the electronic control equipment manufacturer, to slash its parent company profits forecast, writes Steven Butler in Tokyo. Omron expects pre-tax profits of Y7.0bn ($56m) in the 12 months to March, compared with Y13.55bn the year before.

NZ supermarket chain lifts earnings 8%

By Terry Hall in Wellington

PROGRESSIVE Enterprises, the New Zealand supermarket chain, has reported net profits before abnormal items of NZ$26.5m (US$14.4m) for the 12 months to July 26, in spite of lower than expected retail sales.

This result was 8.3 per cent ahead of Progressive's flotation forecast in May, when it was sold by Coles Myer, the Australian retailer.

Comparable trading figures are available, however, because Coles Myer retained a number of the former Progressive group's assets, including the K mart retail chain.

Mr David Sadler, chairman, said the better than forecast result reflected the benefits of the company's cost reduction programme, and a lower tax charge due to losses from previous years.

Total retail sales were 3.6 per cent lower than forecast at NZ$1.003bn, largely due to a slow recovery in the Auckland market. Mr Sadler said growth would come from new stores throughout the North Island over the coming months.

INTERNATIONAL CAPITAL MARKETS

EUROPEAN BONDS

French voters do little to close divisions in Europe

AS French voters delivered their verdict yesterday on the EC's proposed economic and monetary union, it seemed their decision could do little to reverse the forces that had already opened up sharp divisions within the European exchange rate mechanism.

With sterling and the Italian lira ejected during the course of last week, the peseta devalued and the Irish punt and French franc hanging on by their fingernails, the foreign exchange market had clearly decided to exercise its own vote before the French got round to theirs.

"An event that doesn't have broad European significance," was the view of Mr Richard Grey, a bond market analyst with UBS Phillips & Drew, ahead of the vote.

It may well be that the verdict has little of the impact expected just a week ago, but the result is still likely to have important ramifications. For a start, it could decide the fate of the French franc, and so have a big impact on the bond market. If the franc survives to the end of this week without a forced devaluation, then "it will virtually have become a Deutsche mark," said Ms Alison Cottrell, an economist at Midland Montagu.

The foreign exchange markets, which were developing a taste for bashing the franc at the end of last week, could be expected to back off somewhat if the referendum result is positive. In that case, the French currency would have passed its biggest test yet, and have become a fully-paid up member of the D-Mark bloc.

The second result of a Yes vote could be an attempt by European politicians to patch up at least some of their differences of the last few days, and perhaps even to try to keep the Maastricht timetable for Emu on the road. "A Yes from the French will prolong the period during which an attempt to pull things out the fire will be made," said Mr Grey.

That could merely serve to delay the inevitable: narrow French support, the messages from the currency markets in recent days and the ill-will generated between some member states do not provide a strong background against which other countries will feel comfortable in ratifying the Maastricht treaty.

As a result, Europe's bond markets at the end of last week were already reflecting the results of a fresh look at the economic fundamentals of member states. Economic convergence, encapsulated by each countries' attempts to meet the Maastricht criteria for Emu, was already being seen as a thing of the past.

A clear indicator of this was the speed with which the gilt market's inverted yield curve fell flat on its back. As the week began, the yield curve reflected the result of what was still at that time the accepted orthodoxy.

Short-term interest rates were high, dictated by the need to keep sterling in its ERM parity, while longer-term rates reflected the belief that inflation would not return to haunt the market as long as the UK followed the Bundesbank's anti-inflationary path.

By the end of the week, the gilt market's mood had done a smart about-turn, at least at the short end of the yield curve. As sterling slid, the market began to look for a two point cut in base rates, from the current 10 per cent.

Meanwhile, longer-dated gilt yields had begun to creep up, to around 200 basis points above German levels, as the spectre of renewed inflation threatened to return. However, most analysts discounted the likelihood of a renewed burst of inflation given the depth of the UK's current recession – even allowing for the effects of the falling pound – and the relative firmness in the gilt market reflected this view.

The beliefs which have shaped both ends of the yield curve in recent days could turn out to be over-optimistic. It seems unlikely, for instance, that the UK government is about to abandon its anti-inflation strategy quite so quickly.

With a general election won less than six months ago, Mr John Major's government is under no immediate pressure to engineer an economic boom. Also, a sharp drop in rates could cause sterling to plunge, further undermining attempts to restrain inflation.

"The market may have got too gung-ho at the short end. It almost seems churlish to spoil the part," said Mr John Shepperd, economist at SG Warburg. On Friday, the short gilts contract on the London International Financial Futures and Options Exchange ended at around 91.70, anticipating interest rates at close to 8 per cent by the year end.

Even if the UK does not opt to tie its currency into the ERM in the near term, it can hardly ignore the power of German interest rates, which will continue to dictate the monetary conditions in Europe.

"If we are still in the same anti-inflationary world, you have to look at Germany," said Mr Shepperd.

At the longer end of the market, meanwhile, yields could be set to rise sharply from their current levels. Even leaving aside the danger of renewed inflation, there remains the question of how the UK will finance its fiscal deficit.

Analysts doubt that any economic upturn resulting from devaluation will show through in an increased tax yield or lower social securities payments until the second half of next year. In the meantime, international investors will demand an extra risk premium for investing in sterling.

It will be difficult to persuade UK investors to take up the slack. The renewed appetite among UK insurers and pension funds for gilts was based on the assumption that the UK was facing a low-growth, low-inflation decade.

If those assumptions are reversed, gilt yields will have to rise to persuade investors to buy fixed-income securities rather than equities.

"I've got to say that it does look as though it has shifted the pattern in favour of equities," said Mr Mike Sandland, chief investment manager of Norwich Union, the UK insurer. Norwich Union had done more than any other investor over the previous months to lead the move away from equities and into gilts.

The clear winner from the dislocation of the ERM so far has been the bund market – with other "core" government bonds markets, like that of the Dutch, closely in tow. However, over time, the events of the last few days could prove to have contradictory effects on the German market.

On the positive side, bunds will benefit from disarray in other currencies – though to a large extent, investors from outside Europe had already looked to the D-Mark block when investing in the EC.

The result will be to buoy the currency further, helping to slow its decline against the US dollar. A high D-Mark will make German exports less competitive, adding to the slowing in the German economy and so making bunds more attractive.

On the negative side, any further slowdown in Germany could exacerbate the fiscal deficit, adding to the weight of supply in the bond market (and with much of this year's deficit still to be financed).

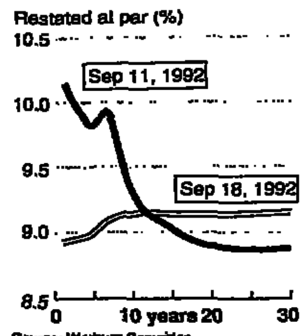
Also, the sharp spike in money supply that will result from all the ill-starred intervention on the foreign exchanges in recent days could hold back the speed of interest rate reductions. The easing of political pressure on Germany to cut its interest rates could also delay further rate cuts.

Against this background, the French bond market could yet turn out to be one of the major gainers.

The country's strong economic fundamentals have long been recognised by international bond investors, though their appetite for the OATs has been slight during the uncertain summer months. With uncertainty finally out of the way, the market's fundamental attractions could return to the fore.

Richard Waters

UK gilts yield



Source: Warburg Securities

US MONEY AND CREDIT

Investors wait for the dust to settle

THE US bond market, along with rest of the western financial world, spent the weekend focused on the outcome of the French vote on the Maastricht treaty, concerned about the further turmoil that this could provoke in European currency markets.

Bond market trading was subdued on Thursday and Friday, ahead of the vote and following the extraordinary gyrations of the European currency markets on Wednesday. Many investors simply want to sit on the sidelines until the European dust settles.

Throughout last week's European crisis the US credit markets remained a haven of tranquillity. On Wednesday, when the crisis broke, the long end of the US Treasury market was knocked lower, while the short end, including three-year notes, moved higher, in what is a normal response to market uncertainty.

In both cases the movements were modest, but the result was to widen further the huge yield gap between the short and long ends.

By Friday night the yield on the benchmark 30-year issue was 7.32 per cent, up 0.03 per cent on a week ago, while three-month treasury bills stood at 2.93 per cent, down 0.05 per cent.

The market also had to contend with a continuation of the previous week's heavy issuance of corporate bonds, which acted as a drag on prices.

Nevertheless, many analysts believe the European turmoil is essentially bullish for the US fixed income market. The dollar has been rallying, performing its traditional role as a safe haven currency, amid expectations that German interest rates are headed lower, which will narrow the huge yield differential between the markets.

This is turn, goes the Wall Street consensus, will give Mr Alan Greenspan, the chairman of the Federal Reserve, further scope to cut US interest rates. The Fed last eased on September 4, when it knocked 25 basis points off the Fed funds rate. Some believe it would have liked to move more aggressively than that, but was deterred by fear of severely weakening the then sharply declining dollar.

Bill Clinton: possible win has been factored in

Alan Greenspan: Wall St sees scope for rate cut

Certainly, there are still precious few signs of robust US economic growth, although last week's batch of bad news had little effect on the market amid the European excitements.

Retail sales fell 0.5 per cent in August, much more than expected, although the impact of this was blunted by an upward revision in the July figures, to a 1 per cent increase. Poor consumer confidence means a continued reluctance to buy durable goods.

Industrial production also dipped in August, with capacity utilisation down to 78.5 per cent, compared with 79 per cent the month before.

All this is creating widespread expectations of a further easing move by the Fed, with analysts circling the date of October 2 as the likeliest time for action. This is when employment data for September will be released. The Fed's last two rate cuts occurred on days when the government reported particularly dire employment statistics.

An easing would immediately benefit the short end of the market, but the long end still faces residual concerns about inflation and these may intensify in the final weeks of the presidential election campaign if Mr Bill Clinton, the Democratic nominee, sustains his current lead in the opinion polls. Strongly Republican Wall Street tends to see the Democrats as the party of inflation.

What is unclear is the extent to which the US capital markets have already factored in to their prices the possibility of a Clinton presidency and its economic implications.

A view seems to be growing that whoever is the next president, the US economy will remain so sluggish, and the budget deficit will prove so restrictive, that inflation will remain subdued for a long time yet.

Martin Dickson

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 20.09.92: Pool purchase price £/MWh	Final Prices for Trading on 23.09.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	20.29	19.88	22.02
0100	17.58	19.13	21.28
0130	17.58	19.13	21.29
0200	17.70	19.13	21.29
[illegible]	[illegible]	[illegible]	[illegible]
1630	17.68	17.75	17.75
1700	21.00	20.51	22.62
1730	21.08	21.75	23.89
1800	21.09	21.75	23.90
1830	21.09	21.75	23.90
1900	25.43	21.75	23.90
1930	25.19	21.75	23.89
2000	28.01	21.76	23.89
2030	28.01	22.64	24.81
2100	28.01	28.01	30.32
2130	25.43	28.01	30.30
2200	25.43	28.01	30.31
2230	23.36	28.01	30.34
2300	22.62	22.80	24.99
2330	17.76	22.10	24.23
2400	17.71	17.86	17.86

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 21.09.92: Pool purchase price £/MWh	Final Prices for Trading on 24.09.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.71	17.86	17.86
0100	17.71	17.86	17.86
0130	17.70	17.86	17.86
0200	17.70	17.86	17.86
[illegible]	[illegible]	[illegible]	[illegible]
1630	28.07	25.49	28.38
1700	28.09	28.03	30.98
1730	28.07	28.02	30.97
1800	28.03	28.01	30.97
1830	25.46	25.08	27.98
1900	25.00	23.84	26.71
1930	28.01	23.59	26.47
2000	28.01	23.10	25.97
2030	26.00	22.00	22.00
2100	24.82	37.15	40.38
2130	24.82	37.15	40.37
2200	23.16	37.15	40.41
2230	23.03	23.10	25.99
2300	22.87	23.08	25.99
2330	22.12	20.72	23.56
2400	17.78	20.86	23.51

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 6.15pm Monday to Friday.

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FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	107¼	-¼	4.31
ABN 9 1/8 94	200	108¼		4.48
AETNA LIFE & CAS 7 3/4 16	200	103	-⅛	7.47
ALBERTA PROVINCE 8 5/8 96	750	110¼	-⅛	5.79
ALBERTA PROVINCE 9 3/8 95	600	111¾	-⅛	5.13
AMERICAN EXPRESS ZERO 00	450	53½	-⅛	7.89
AMERICAN GENERAL 9 3/4 95	100	110⅝	-⅛	5.51
AMERICAN INTL 0 04	750	41¼	-⅛	7.75
ASIAN DEV BANK 0 04	1000	42	+⅛	7.53
ASIAN DEV BANK 8 96	100	108½	-⅛	5.67

	Issued	Bid price	Chg on week	Yield
SAS 10 1/8 95	150	111⅛	-⅛	6.00
SBAB 9 1/2 95	500	110½	-⅛	5.30
SBC FINANCE 7 3/4 96	200	107¾	-⅛	5.49
SEAGRAM CO 8 1/2 96	100	103		7.49
SEARS EURO TRUST 8 3/4 96	750	108¾	-⅛	5.94
SEARS O/S FIN 0 98	500	67½	-⅛	7.09
SEARS ROEBUCK EURO 9 3/4 95	500	109¾	-⅛	5.31
SNCF 7 1/4 94	175	104¼		3.95
SNCF 9 1/2 98	150	115¾	-⅛	6.22
STATE BK NSW 8 1/2 96	200	109	-⅛	5.77
STATOIL 7 5/8 94	300	104		4.61
SWEDEN 8 1/8 94	150	106½	-⅛	4.29

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	89½	+1½	7.04
AUSTRIA 4 5/8 98	100	91¼	+1¼	6.48
CHUBU ELEC POWER 6 3/4 01	300	97½	+½	7.14
COUNCIL EUROPE 4 3/4 98	250	90¼	+⅛	6.96
EEC 5 1/2 00	100	91	+½	6.97
EIB 6 1/2 98	800	100½	+1¼	6.39
ELEC DE FRANCE 7 1/4 06	100	102¼	+1¼	6.92
FINLAND 5 3/8 95	150	95	-⅛	7.22
GENERAL MOTORS 7 1/2 95	100	100½	+2	7.25
JAPAN DEV BK 5 1/2 94	100	97¼	+1	7.22
KOBE 6 3/8 01	240	96½	+1¼	6.91

	Issued	Bid price	Chg on week	Yield
ONTARIO 8 1/2 01	600	109½	-⅛	7.02
ONTARIO HYDRO 11 5/8 94	300	109¼	-⅛	4.22
OSLO 7 7/8 97	150	107¼	-⅛	5.96
OSAKA PREFECTURE 8 1/2 94	140	107⅝	-⅛	4.33
OSTER KONTROLLBANK 8 1/2 01	200	110½	-⅛	6.82
OSTER KONTROLLBANK 9 95	200	111¼	-⅛	4.81
OSTER POSTSPARK 10 1/2 94	150	109½	-⅛	4.16
PANASONIC FIN 9 3/8 94	300	107¼	-⅛	4.22
PETRO-CANADA 7 1/4 96	200	105¼		5.65
PETROBRAS 10 96	200	96⅝	+⅛	11.29
PHILIP MORRIS 9 7/8 98	200	108¼	-⅛	7.95
PRUDENTIAL FIN 8 1/4 01	300	105¼	-⅛	7.41
PRUDENTIAL RLTY SECS 0 99	365.216	65½		6.92
QANTAS AIRWAYS 8 5/8 96	97.75	109⅝	-⅛	5.53
QUEBEC HYDRO 9 01	300	111¼	-⅛	7.17
QUEBEC HYDRO 9 3/4 98	150	114⅝	-⅛	6.67
QUEBEC PROV 9 98	200	111⅛	-⅛	6.53
QUEENSLAND GOVT 10 1/4 95	100	113½	-⅛	5.17
RALSTON PURINA 11 3/4 95	150	114½	-⅛	5.75
REED PUBLISHING 9 5/8 97	150	113	-⅛	6.39
SAINSBURY 9 1/8 96	150	111¼	-⅛	5.91
SAS 10 99	200	111¾	-⅛	7.61

DEUTSCHE MARK STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABN AMRO 8 1/2 96	500	100⅝	+⅛	8.30
AUSTRIA 6 3/4 99	750	94¾	+1	7.76
BNP 8 1/4 01	200	102⅝	+1½	7.79
DEUTSCHE FINANCE 7 1/2 95	1000	98⅝	+2	8.13
EIB 5 3/4 98	400	93	+2½	7.32
EIB 6 1/4 99	600	94¼	+1½	7.40
EUROFIMA 8 3/4 96	400	103½	+⅛	7.78
FIRST INTERSTATE 5 3/4 96	100	88	+1½	9.81
IND BK JAPAN FIN 5 5/8 96	200	90	+⅛	8.98
INTER AMER DEV 9 00	300	105¼	+⅛	8.01
IRELAND 6 1/2 99	300	91¼	+1½	8.18
LUFTHANSA INT FIN 5 7/8 98	500	86½	+⅛	9.01
NAT BK HUNGARY 10 3/4 98	500	99¼		10.79
QUEBEC HYDRO 8 5/8 01	600	103	+1½	8.12
SWEDEN 6 1/8 98	300	91	+⅛	8.21
TURKEY 10 3/4 96	500	100¼	+½	10.65
WORLD BANK 0 15	2000	23½	+1½	6.40
WORLD BANK 5 3/4 96	300	95¼	+1½	7.15
WORLD BANK 8 3/4 00	1250	107⅛	+1⅛	7.47

FRENCH FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
CEPME 10 95	2000	102	+1½	9.12
ELF-AQUITAINE 9 99	600	100¼	+1½	8.92
EURATOM 7 5/8 98	500	93½	+2	9.20

EQUITY WARRANTS	Expiry date	Bid price	Chg on week	Prem
ASAHI GLASS	25/06/98	13½	+¼	33.72
CANON	24/05/95	10½	-½	24.86
HANKYU DEPT STORES	14/03/96	2½	-⅛	73.15
HINO MOTORS	06/07/94	1¼	+¼	60.11
KOBE STEEL	12/06/96	2½	+¼	72.64
MITSUBISHI EST	11/03/94			
MITSUI TOATSU CHEM	30/01/98			
MORINAGA	13/06/95	2		
NICHIREI CORP	11/06/98	10½	-⅛	27.87
NIPPON COMSYS	31/01/95	13½	-⅛	39.18
NISSHIN STEEL	18/04/96	1½	-⅛	
ROYAL HOTEL	14/03/95	2	+¼	
SMC	25/07/95	1		85.58
TAKASHIMAYA	02/07/96	1½	-⅛	
TOYO SASH	05/08/97	4½	+¼	59.63
YAMANOUCHI PHARM	01/03/94	2½	+⅛	
		7½	-2½	20.86

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on September 18

INTERNATIONAL CAPITAL MARKETS

Wall Street swamped by orders deluge

Patrick Harverson and Tracy Corrigan on the rush of new corporate offerings

A rush of offerings spurred by the latest US interest rate cut has left the US corporate bond market suffering from a bout of indigestion.

After the Labor Day holiday on September 7, Wall Street's investment bankers returned to find a deluge of orders on their desks from companies keen to take advantage of the lowest interest rates in three decades.

But the heavy supply of paper has overwhelmed demand, leaving many banks with unsold stock on their books.

The turmoil in European markets last week further slowed buying, as investors pondered the implications for US interest rates.

In the last two weeks, the volume of new issues has totalled more than $16bn. Some of the biggest names of corporate America led the way, including General Motors Acceptance Corporation, BankAmerica, Coca-Cola Enterprises, Wal-Mart Stores and Pacific Bell.

This latest stampede – there have been several similar rushes this year – followed the cut in the Federal funds rate (the interest rate banks charge on overnight loans to each other) two weeks ago from 3.25 per cent to 3 per cent.

The extremely low cost of funds in the capital markets has delighted corporate finance officers at leading companies, which have been able to refinance debt issued in the 1980s at much higher rates.

So far 1992 has been a banner year for the corporate bond market, with more than $220bn of new issues.

After the previous Fed cut, in early July, the market enjoyed its second busiest month ever with $28.4bn of debt issued. The previous rate cut, last December, led to January's record total of $34.8bn.

Issuers are now in a hurry, fearful that if they do not move fast a prolonged backlog of orders will widen the interest rate spreads over Treasuries on new issues and push up their funding costs.

As Mr Richard Dubusc, a managing director with First Boston in New York, puts it: "There's a sense that the early bird will get the worm in terms of spread execution."

It could even get busier if the Fed cuts the discount rate or continued economic weakness brings market rates down further.

Some issuers appear to be holding out for such an eventuality. Mr Joe MacHale, managing director at J.P. Morgan in New York, says: "There's a significant number of corporations who think that rates will go still lower, and I'm not so sure they're wrong."

The longer term outlook is cloudier. There is little chance that interest rates will rise significantly over the rest of the year – the economy is in too weak a state to envisage it – but market yields could steadily inch higher if political shock waves from the presidential election rattle financial markets.

Treasury investors are concerned that if the Democratic nominee, Governor Bill Clinton of Arkansas, wins the election, his fiscal plans for next year could lead to an increase in the budget deficit.

Much of the impact of a Clinton victory has already been factored into Treasury prices, however. As one Wall Street banker put it: "Increasingly the view here is that it's Clinton's election to lose."

That said, if Mr Clinton looks a sure bet nearer election day on November 3, the market could react by pushing rates higher.

Given the uncertain outlook, many companies may decide to bring any plans for debt issues forward.

Mr Dubusc says: "The dollar's a concern to people, the election's a concern, so there's a lot of reasons to move now."

But investors, faced with the deluge of new issues, are becoming increasingly choosy. The low level of rates has increased their appetite for deals which offer sizeable margins over US Treasury yields.

"Investors face an invidious choice," observed one investment banker. "Mortgage products offer higher yields, but with the latest drop in interest rates, there is likely to be a wave of refinancing (which triggers the early prepayment of mortgage deals)."

With spreads on corporate bonds trading at relatively tight levels, some investors have voted with their feet.

"There have been some aggressively priced deals which have not been placed, which has put spreads under pressure (to widen)," said one syndicate official at a US bank.

For example, a $400m seven-year offering for Ford Motor Credit priced at 68 basis points over the comparable Treasury yield has widened to 78 basis points.

Mexican and Hungarian issues break new ground

By Our Financial Staff

MEXICO and Hungary broke new ground in the US bond market last week, launching the first Yankee bond issues by sub-investment grade sovereign borrowers.

Mexico brought a $250m offering of 10-year bonds priced to yield 215 basis points above the 10-year treasury yield. Goldman Sachs, which arranged the transaction, said the deal was being placed with mainstream Yankee bond investors.

Meanwhile, Hungary became the first eastern European country to raise funds in the US bond market, with a $200m 10-year deal via Salomon Brothers priced to yield 275 basis points over the 10-year treasury yield – wider than the original indication of 250 basis points.

Hungary has now completed around $900m of its $1bn funding programme for this year, and expects to raise the same amount in the capital markets next year.

Mexico is rated BB-plus by S&P and Ba2 by Moody's while Hungary has BB-plus from S&P and Ba1 from Moody's.

Anthony Harris

A message of hope from Dr Doom

IN THE old days when Salomon Brothers was the most stuffily respectable institution in New York, its senior credit analyst was Dr Henry Kaufman. He used to dominate bond market sentiment, just as his British admirer, Mr (now Professor) Gordon Pepper, did in London.

Those were financially disorderly and increasingly inflationary times, and Kaufman's frequent storm warnings got him the name Dr Doom. Unfortunately, he was right (and so, of course, was Pepper, with his dire forecast of the result of joining the ERM). Doom is now in over-supply, so you may not wish to read about Kaufman's latest thoughts; but read on. You may be surprised.

He was speaking only yesterday at the World Economic Development Congress in Washington, a kind of IMF fringe meeting; and since commonsense will no doubt be in shorter supply than ever at the main event, I wish I had space for his whole address; but as it is, his account of how we got into this mess, through ignorant though well-intentioned tax-cutting and financial deregulation, most be taken as read. It is aimed at the US, but applies with equal force to the UK, after adjusting for privatisation instead of borrowing. It is pithy, but basically familiar.

His current comments are not so conventional, especially from a man with such a name for austerity; but even here, some quotations will have to do. First, monetary policy. (Quotes are Kaufman on the US, brackets a UK gloss on them.) "During the crucial months of 1990, 1991 and even part of this year, the Federal Reserve failed to come to grips with the financial impediments to a normal rebound. The very notion of a credit crunch was ridiculed in some quarters ... mainly because there was no direct historical counterpart on which to base a conventional analysis." (But while the Fed did brood about the problem, the UK authorities simply shut their eyes.)

"A startling number of speeches was given predicting a healthy recovery just ahead. Such cheerleading was an obstacle to realism." (Comment redundant.) "The Fed continued to maintain its customary vigilance against inflation. Central bankers must be forgiven this bias. Nevertheless, in the context of a dispirited economy ... this took on some of the aspects of fighting the last war." (The Fed may have seen itself as resisting Reaganomics, but in the UK the elected government is more Catholic than the Pope.)

On deflation: "In the current situation ... the only way many businesses can try to increase earnings is through cost reduction. That cannot work for the economy at large ... [it] reduces employment, lowers income, and sours sentiment. It feeds on itself, resulting in bigger negative consequences than expected ... Draconian measures to reduce the budget deficit in the short term would be dangerous." (Wholly applicable to the UK.)

On recovery: "Economic revival requires financial rehabilitation, and rehabilitation requires still lower interest rates" (even in the US!). It also requires "modest and explicitly temporary fiscal measures"; but monetary policy must carry the main burden because "it has the advantage of flexibility – the capacity for reversing course quickly."

On Europe: "I have long felt that an all-out defence of the ERM would be a mistake, and that the US should urge [its] members to consider suspending the mechanism until current divergences are able to be narrowed. That is what has happened under pressure of an old-fashioned market crisis.

"The events of the past few weeks must seem like a bizarre replay of something out of the 1960s. Even the role of the Bundesbank has been reminiscent ... German rates will have to be reduced considerably further before there is much chance of re-establishing credible parities within the ERM."

On devaluation: "Devaluations would probably be inflationary if European economies were pushing against capacity constraints. However, the reality is the opposite."

And remember that Dr Kaufman's record as an anti-inflationist is impeccable. Kaufman for Governor? Our battered national pride would hardly take that; so what about Prof Pepper?

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Daiwa PB(a)♦†	200	(a)	-	(a)	100	Merrill/Daiwa Bk C.M.	-
Showa Sangyo Co♦	160	1997	5	2.5	100	Nomura Int	2.5
Dixons Finance BV(b)‡†	50	1997	5	(b)	100	Chemical Inv. Bank	-
Province of Ontario(d)†	2bn	1997	5	5.7	99.571	G.Sachs/M.Lynch	5.8
Nestlé Holdings Inc(e)♦†	250	1999	7	3.625	100	Credit Suisse	3.625
Osprey Mtg Secs.(No.7)(f)†	63.9	1997	5	4.875	99.42	Goldman Sachs Int	-
Osprey Mtg Secs.(No.7)(g)†	89.8	1997	5	5.25	99.39	Goldman Sachs Int	-
Osprey Mtg Secs.(No.7)(h)†	100.7	1998	6	5.75	99.38	Goldman Sachs Int	-
Osprey Mtg Secs.(No.7)(i)‡†	108	1998	6	(i)	99.90	Goldman Sachs Int	-
Intl Bonds Investments(j)†	20	1993	1	4.45	100.50	Citibank	3.93
Intl Bonds Investments(k)†	20.2	1993	1	15.82	100.50	Citibank	15.229
Kingdom of Spain(l)	1.5bn	1999	7	(l)	(l)	M.Lynch/J.P.Morgan	-
Toyo Suisan Kaisha♦	200	1996	4	1¾	100	Nikko Europe	1.75
Nikkodo Co.(m)§§	40	1997	4.5	5¼	100	Nomura Int	5.249
B.O.T.(Cur.)Hds NV(p)‡★★†	350	(p)	-	(p)	100	Bank of Tokyo C.M.	-
Commerzbank AG(q)‡†	50	2002	10	(q)	(q)	Kidder Peabody Int.	-
Takugin Fin.(Cay)(u)‡‡★★†	250	(u)	-	(u)	100	Daiwa Europe	-
Takugin Fin.(Cay)(v‡★★†	50	(v)	-	(v)	100	Takugin Finance	-
Takugin Fin.(Cay)(w)‡‡★★†	200	(w)	-	(w)	100	Takugin Finance	-
Banco de Galicia y B.A.†	100	1997	5	9¾	99.497	Chase Inv.Bank	9.882
Banco Holandes SA(d)†	65	1995	3	10	100.35	ABN AMRO Hldg NV	9.862
SWISS FRANCS							
European Inv. Bank(n)†	300	2004	12	6¾	102½	Swiss Bank Corp	6.444
World Bank★★†	200	2002	10	6¾	101⅜	UBS	6.558
Iwatani Int.♦★★	200	1996	4	3⅜	100	Credit Suisse	3.375
Electricité de France(r)†	100	2007	15	6⅝	102	UBS	6.413
PT Indorama Synths(s)§§★★	60	1997	5.17	4½	100	Swiss Bank Corp	4.496
Toshoku(t)§§★★	200	1996	4	4	100	Swiss Bank Corp	4
FRENCH FRANCS							
Soc.Gen.Accept.N.V.(o)‡‡†	1bn	1997	5.17	(o)	99	Societe Generale	-
D-MARKS							
Tokai Corp★★†	10	1997	5	8¼	101½	IBJ	7.876
AUSTRALIAN DOLLARS							
Bremer Landesbank★★†	20	1995	3	6⅞	99⅛	Bremer Landesbank	7.209
CANADIAN DOLLARS							
Japan Highway P.C.†	300	2002	10	7⅞	101.495	IBJ	7.656
YEN							
Fujita Corp(c)‡†	10bn	1997	5	(c)	100	Salomon Brothers Int	-
European Inv. Bank†	50bn	1997	5	4½	99.32	M.Stanley/LTCB Int	4.656
Sapporo Breweries†	20bn	2003	10.17	5.9	101.8	Yamaichi Int.(Europe)	5.660

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. ♠Variable rate note. a) Undated subordinated issue. Initial coupon pays 65bp above 4-month Libor. The alternative margin for the remainder of the first five years is 100bp above 3-month Libor rising to 130bp in years 6-10 and 205bp thereafter. Payable quarterly. Callable at par on coupon dates after 5 years. b) Coupon pays 75bp above 6-month Libor and is payable semi-annually. c) Coupon pays 50bp above 3-month Libor and is payable quarterly. d) Payable semi-annually. e) Exercise premium fixed at 9.8%. f) Tranche A1 of $362.4m issue. Payable quarterly. g) Tranche A2 of $362.4m issue. Payable quarterly. h) Tranche A3 of $362.4m issue. Payable quarterly. i) Tranche A4 of $362.4m issue. Coupon pays ⅜% above 3-month Libor and is payable quarterly. j) Tranche A of $40.2m issue. Payable semi-annually. k) Tranche B of $40.2m issue. Payable semi-annually. l) To be priced 22/9/92 to yield 42-45bp over US treasuries. m) Short coupon first. Payable semi-annually. n) Reopening clause. Callable after 9 years at 100¼ and thereafter declining by ¼% annually. o) First coupon payable on 8/6/93 at 10% pa, then pays 32.5% minus 3 times Pibor quarterley. p) Undated issue. Coupon pays 80bp above 6-month Libor for first 5 years, 130bp in years 6-10 and 180bp thereafter. Payable semi-annually. Callable at par on any coupon dates. q) Variable issue price. Coupon pays US$ 6-month Libid defined as 12.5bp less than Libor. Payable semi-annually. Non-callable. r) Callable after 12 years at 100.5 and after 13 years at 100.25. s) Putable on 30/6/95 at 113.41, 30/6/96 at 114.75 and on 30/6/97 at 102.75. t) Payable semi-annually. Putable on 30/4/95 at 110.7. u) Tranche A of $500m undated issue. Coupon pays fixed 80bp above 6-month Libor for years 1-5, maximum 130bp for years 6-10 and maximum 180bp thereafter. Callable on any interest payment dates from 30/9/97 at par. Payable semi-annually. v) Tranche B of $500m undated issue. Coupon pays fixed 80bp above 6-month Libor for years 1-5, fixed 125bp for years 6-10 and maximum 200bp thereafter. Callable on any interest payment payment dates from 9/2002 at par. Payable semi-annually. w) Tranche C of $500m undated issue. Coupon pays fixed 80bp above 6-month Libor for years 1-5, fixed 125bp for years 6-10 and fixed 180bp thereafter. Callable on any interest payment dates after five years at par. Payable semi-annually. Note: Yields calculated on ISMA basis.

WORLD STOCK MARKETS

AUSTRIA

1992 High	Low	September 18	Price Sch
2,890	1,550	Austrian Airlines	2,010
570	354	Creditanstalt Pf	442
3,925	2,300	EA General	2,820
906	651	EVN	837
16,550	9,850	Jungbunzlauer	16,500
1,074	530	OeMV	785
1,650	1,100	Perlmooser Zement	1,195
700	388	Radex Heraklith	466
1,889	1,070	Reininghaus Brau	1,070
308	125	Steyr Daimler	186
456	261	Veitscher Magnesit	333
567	398	Verbund (Br) A	450
5,320	3,050	Wienerberger	3,690
1,200	942	Z-Laenderbank	1,030

BELGIUM/LUXEMBOURG

1992 High	Low	September 18	Price Frs.
2,250	1,630	AG Group	1,830
3,495	2,605	Ackermans	2,670
6,370	5,320	Almanij	5,710
4,350	3,020	Arbed	3,120
3,535	3,015	BBL	3,450
12,000	11,500	Bank Intl a Lux	11,500
12,400	11,350	Banq Gen Lux Pts	11,800
13,300	9,100	Bekaert	12,575
8,800	6,510	CBR Ciment	7,980
2,375	1,590	CMB	1,800
5,150	4,100	Cobepa	4,480
178	133	Cockerill Priv	140
[illegible]			

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

Prices data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. (u) Unavailable. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

4 pm close September 18

Quotations in cents unless marked $

[illegible]

MONTREAL

4 pm close September 18

[illegible]

INDICES

NEW YORK

DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

TRADING ACTIVITY

[illegible]

CANADA

TORONTO

					1992 HIGH	1992 LOW
Metals & Minerals	[illegible]	2944.58	2957.18	3238.87 (16/1)	2828.26 (8/4)
Composite	[illegible]	3453.80	3464.10	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1787.96	1789.63	1804.87	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ● The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telerate) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

[illegible]

THAILAND Bangok SET (30/4/75)	835.45	824.26	813.33	817.74	[illegible]	[illegible]
WORLD M.S. Capital Intl.(1/1/70) (s)	(u)	500.4°	498.1	507.0	[illegible]	[illegible]
Euro Top-100 (26/6/90)	877.84	852.56	844.98	836.61	[illegible]	[illegible]

**Saturday September 12: Taiwan Weighted Price: (c), Korea Comp Ex. (c) § Subject to official recalculation. † Correction. °Calculated at 15.00 GMT. Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday, September 18, 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsui Min & Sm	5.4m	470	+17	Nippon Mining	0.3m	496	-12
Green Cross	0.6m	1,680	-40	Nikkatsu	0.2m	310	-11
Npn Steel Corp	0.5m	300	-2	Meiji Milk	0.2m	1,070	-10
S'tomo Mtl Min	0.4m	748	-34	S'tomo Mtl Inc	0.2m	269	+1
Jpn Mtl & Chem	0.4m	734	+24	Nomura Sec	0.2m	1,630	

هكذا من الأصل

هكذا من الأصل

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AUTHORISED UNIT TRUSTS

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X, CH99 9DG 0244 680066

M & S Ict P f'olio	5½	110 3	110 6	118.2	3 14	46095
Do Accum	5½	121 3	121 6	130.0	3 14	46096
UK Sel P f'olio	5½	87 77	88 53	94 68	4.97	47804
Do Accum	5½	96 52	97 34	104 1	4.97	47805

National Provident Inv Mgrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 071-623 4200

NPI America Acc ♥	5½	79.24	79.56	85 08	0 14	41103
NPI America Dist ♥	5½	73.34	73 62	78.74	0.14	46660
NPI European Acc	5½	68.33	68 79	73 57	0 19	41104
NPI European Dist	5½	66.31	66 75	71 39	0 19	46661
NPI Far East Acc ♥	5½	99.10	99 95	106 90	0 21	41105
NPI Far East Dist ♥	5½	97.5	98.3xd	105.2	0 21	46662
NPI Global Dist	5½	50.35	50.76	54.29	2 26	41935
NPI O'seas Acc	5½	883 1	886 4	948.0	0 86	41107
NPI O'seas Dist	5½	680 7	683.1xd	730.6	0.86	41106
NPI UK Acc	5½	495 7	498.6	533.3	3 56	41109
NPI UK Dist	5½	265.1	266 6	285 1	3 56	41108
NPI Extra Inc Dist	5½	51.33	51.75xd	55.35	5.60	41936
NPI UK Spec Opp Acc	5½	53.63	54.38	58 16	3 31	41937
NPI W'wide Acc	5½	70.35	72 60	77 65	0 00	41110
NPI W'wide Dist	5½	67 41	69.55	74.39	0.00	46663
NPI W'wide Inc Dist	5½	47 35	48.47	51.84	2.79	41939

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Societe Generale Touche Remnant (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
4 Hourly Pricing – 12 Noon Historic						
American Gwth	5¼	57 98	57.98	62 01	0	41525
Eur Sp Sits Acc	5¼	38.14	38 14	40 63	0	41526
Eur Sp Sits Inc	5¼	36 54	36.54	38 93	0	41527
Far East Opp. Inc	5¼	21 66	21 66	23 37	0	41660
Far East Opp. Acc	5¼	22.30	22 30	23 96	0	41665
General Growth	5¼	82 12	82 12	88 23	3 69	41528
General Growth Acc	5¼	83 49	83 49	89 70	3 69	47438
Global Tech	5¼	85 24	85 24	92 24	0	41524
Income Growth	5¼	79 18	79 18	85 19	5 50	41530
Income Growth Acc	5¼	79 18	79 18	85 19	5 50	–
Income Monthly	5¼	44 43	44 43	47 51	7 30	41531
Japan Growth	5¼	53 60	53 60	56 96	0	41532
Overseas Growth	5¼	58 42	58 42	62 27	0	41533
Smaller Cos	5¼	51 92	51.92	55 82	3 63	41534
Special Opps	5¼	68 44	69 74	74 98	3 59	41535
W'wde Sp Sit Acc	5¼	32 90	32 90	35 35	0	41538
W'wde Sp Sit Inc	5¼	32 82	32 82	35 47	0	41539
SGTR Pension Portfolio						
American Growth	6	34 73	35 29	37 40	–	46977
Eur Sp Sits	6	30 65	31 03	32 89	–	46978
General Growth	6	30 02	30 64	32 48	–	46979
Global Tech	6	33 38	34 32	36 38	–	46980
Income Growth	6	26 52	27 11	28.73	–	46981
Japan Growth	6	16.78	16 94	17 96	–	46982
Managed Equity	6				–	46983
Overseas Growth	6	25 31	25 63	27 17	–	46984
Smaller Cos	6	13 22	13 50	14 31	–	46985
Special Opps	6	16 02	16 35	17 34	–	46987
Stlg Liquidity	6	33 87	34 47	35 91	–	46986
W'wide Sp Sits	6	26 73	27 44	29 09	–	46988
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd Bournemouth 0202 298422						
Cash	1	50 92	50.92	51 42	10.00	45246
Ethical	5¼	41 45	42.47	45 39	5 5	46948
European Growth	5¼	48 85	49 06	52 33	3 9	46171

	Bid Price	Offer Price	Yield Gross	City-line
COIF–Charities Official Inv Fd				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Income Aug 31	469 49	470.13	6.32	40258
Accum Aug 31	1784.46	1797.29	–	40259
Fixed Int Income Aug 31	114.45	114 68	10.12	43071
Fixed Int Accum Aug 30	142.95	143.24	–	43070
Deposit Account see Money Market Trust Funds				
Charity Fixed Int Fd/Charity Equity Fd				
33 Gutter Lane EC2V 8AS 071-382 6900 (Gen Enquiries) 071-382 3919 (Dealing)				
Charity Equity Inc.	100.60	103 00	4 70	47743
Charity Equity Acc.	101 60	104 00	4.70	47744
Charity Fixed Int Inc.	100.90	102.00	9 14	47745
Charity Fixed Int Acc.	100.90	102.00	9.14	47746
Edinburgh Fund Mngrs PLC				
Exempt Funds				
Managed Sep 16	131 9	137.0	3 83	40369
Japan Sep 17	76 71	78 81	0 63	40370
Sm Jap Cos Sep 18	367 5	377 6	0 13	40372
Latin American Sep 15	80 73	84 76	0.59	47693
Fidelity Investment Services Ltd				
Exempt American Portfolio	109 4	111 0	0 00	–
Magd Pens P'folio	133 7	137 9	2.15	46885
Fledgeling Charity Portfolio				
25 Copthall Avenue EC2R 7DR 071-638 5858				
UK Equity	£0 9671	0 9996	5.32	–
Bond	£0 9776	1 0008	9.44	–
Robert Fleming Asset Mngmt Ltd				
Am Exempt	£491.71	498 93	1 55	40456
Gen Exempt	£123 41	126.05	4.68	40457
Jap Exempt	£364 48	371 65	1.22	40458
Pacific Exempt	£112 18	114 72	2.00	46889
Conti Euro Exempt	£102.70	104 65	2.56	47674

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Pearl Assurance (Unit Funds) Ltd
Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	Yield Gross	City-line
Property Dist. (Gross)	135 3	142 4	-	43235
Property Acc. (Gross)	257 8	271 3	-	43236
Equity (Gross)	856 6	901.6	-	43237
Managed (Gross)	609 6	641 7	-	43238
Property Acc. (Net)	123.2	129.7	-	43239
Equity (Net)	199 0	209 4	-	43240
Advnturous Managed	90 5	95 3	-	41201
Managed (Net)	188 0	197.9	-	43241
Cautious Managed	97 4	102 5	-	41202
International (Net)	166 9	175 7	-	43242
Gilt & Fixed Interest	143.2	150 8	-	43243
Money Fund	141.9	149 3	-	43244
Mixed Fund (Cap)	108 8	114 6	-	46550
Mixed Fund (Acc)	113 7	119 7	-	46548
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	660.9	695 7	-	43245
Ret Man (Series 2)	224 2	236.0	-	43246
Ret Cash	201 2	211.7	-	43247
Pens Mixed Fd (Cap)	120 1	126 5	-	46559
Pens Mixed Fd (Acc)	125 5	132.2	-	46558
Pens Stlg Fd (Cap)	104 8	110 4	-	46561
Pens Stlg Fd (Acc)	109 5	115.3	-	46560

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	Yield Gross	City-line
American	133.0	140 0	-	43285
Building Soc. Fd	225.0	237.0	-	43286
Balanced	250.0	264 0	-	43287
European	215 0	227.0	-	43289
GT Managed	182.0	192.0	-	43290
Gartmore Mngd	123.0	130 0	-	43291
German	131 0	138 0	-	43292
Gilt	162.0	171.0	-	43293
Global	37.0	39 0	-	46834
International Equity	192.0	202 0	-	43295
Japan	161.0	170 0	-	43296
Leisure	48 0	51.0	-	40526

Prudential Corporate Pension Funds
1 Stephen St, London W1P 2AP 071-548 3281

	Bid Price	Offer Price	Yield Gross	City-line
Prudential Managed Funds				
Discretionary Sep 16	£176 30	181 88	-	43539
Equity Sep 16	£197 05	203 80	-	43540
International Sep 16	£26 76	27 49	-	43541
Intl Bond Sep 16	£14 79	14 98	-	43542
Fixed Int Sep 16	£106 41	107 62	-	43543
Index Linked Sep 16	£73 64	74.57	-	43544
Property Sep 16	£109 79	115.85	-	43545
Cash Sep 16	£31 4400	31 4400	-	43546
Pru-Linked Retirement Plan				
Managed Sep 15	415 6	433 0	-	43547
Cash Sep 15	288.3	300 5	-	43548
Prudential Pension Investment Account				
Pens Mngd Sep 21	175.2	192 0	-	43549
Pens UK Eq Sep 21	309 1	333 3	-	43550
Pens Intl Sep 21	203.2	217 9	-	43551
Pens Global Eqty Sep 21	99.5	104 8	-	40528
Pens Fixed Sep 21	246.0	259 6	-	43552
Pens Index Lk Sep 21	195.7	206 7	-	43553
Pens Property Sep 21	88 8	93 5	-	40531
Pens Cash Sep 21	188.4	198.3	-	43554
Money Purchase Plan				
Discretionary Sep 18	97 9	105 0	-	44501
Equity Sep 18	99 7	107 2	-	44652
International Sep 18	90 0	96 2	-	44660
Global Equity Sep 18	96 8	103.9	-	44654
Intl Bond Sep 18	104 7	110 1	-	44668
Fixed Interest Sep 18	113.1	118.9	-	44672
Index Linked Sep 18	100 7	105 9	-	44674
Property Sep 18	99.1	108.7	-	44757
Cash Sep 18	107.4	112.7	-	44850

Prudential Individual Life Funds
1 Stephen St, London W1P 2AP 071-548 3287

	Bid Price	Offer Price	Yield Gross	City-line
Series I Life Funds				
Managed	579 1	609.6	-	46553
Equity	1168.2	1229.7	-	46554

Scottish Amicable – Contd.

	Bid Price
Pension Funds	
Building Society	165 6
Managed (Init)	191 8
Managed (Acc)	363 5
Equity (Init)	216.4
Equity (Acc)	410 1
Property (Init)	149.6
Property (Acc)	282 5
International (Init)	179 2
International (Acc)	339 8
Fixed Interest (Init)	200.8
Fixed Interest (Acc)	380.9
Cash (Init)	154 3
Cash (Acc)	292.5

Scottish Equitable Life Assce. Soc.
28 St Andrew Sq, Edinburgh

	Bid Price
Mixed	189 1
UK Equity	186 8
International	186 9
American	186 7
European	195 8
Japan	172 7
Pacific	227.5
Technology	234 6
Fixed Interest	156 3
Indexed Linked	128 6
Foreign Bond/Currency	186.9
Cash	144 451
Ethical	96 29
European Bond	103 8
Pens Mixed	509 3
Pens UK Equity	601.6
Pens International	525 1
Pens American	183 6
Pens European	207 2
Pens Japan	186 7
Pens Pacific	253 1

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Gartmore Fund Managers (IoM)						
PO Box 32, Douglas, IoM						0624 627610
Intl Grth	5¼	498 2	498 2	534.91	0 9	45095
Leopold Joseph Fund Mngrs (IoM) Ltd						
PO Box 52 Athol St Douglas IoM						0624 661020
L J International	5¼	90.23	90 23	96 91	–	46884
Mercury Fund Managers IoM Ltd						
11 Hill Street, Douglas IoM						0624 662255
Merc IoM Fund	5	102 0	102.0	108 9	6 2	45970
Merc Intl Bond	5	54 99	54 99	57 80	8 0	45971
Sun Life Management (IoM) Ltd						
PO Box 178 Douglas IoM						0624 622444
Secure High Income	6	1 0370	1.0370	1.1117	8 10	47486
Unibank Scandinavian Fund Ltd						
19-21, Circular Rd Douglas, IoM						0624 629420
Scandinavia Fd	5	–	115.91	123 49	1.0	46523

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	Yield Gross	City-line
ATC Fund Management (SG) Ltd				
SG International	$10 69		–	45889
SG Sterling International	£10 06		–	–
AXA Equity & Law Intl Fund Mgs				
European Equity	149 85	156 66	–	44904
Far Eastern Equity	52 2019	2.3174	–	44905
North Amer Equity	$1.7145	1.8045	–	44906
UK Equity	156 29	163 44	–	44907
Global Equity	109 97	115 63	–	44908
UK Gilt & Fxd Int	100 54	105 81	–	44909
Dollar Deposit	$0 9811		–	44911
Sterling Deposit	£101 21		–	44912
Managed Currency	99 76	104.99	–	44914
Appleton Financial Advisors Ltd				
Appleton Capital Trust	94 0	100 0	–	–

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV Sep 17 C$12.72						
First Aust Prime Inc Inv Co Ltd NAV Sep 17 US$10.44						
NAV Diluted to reflect exercise of all Wrrts C$12.51 US$10 27						
Fidelity Investment (CI) Ltd						
Sterling American			£2 574	2.7091	–	44979
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Cockspin Asia Inv Corp Inc			$9.46		–	–
Deutschland Inv Co NAV			DM16 53		–	45896
Foreign & Colonial Mngt (Jersey) Ltd						
Hypo Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash			$10.834		–	45005
Sterling Cash			£12 268		–	45007
US$ Bonds			$15 593		–	45008
Multicurrency Bonds			$20 826		–	45009
Sterling Bonds			£13 556		–	45010
D Mark Bonds			DM10.934		–	45011
Ecu Bonds			Ecu21 565		–	45013
UK Equities			£10 237		–	45014
US Equities			$16.799		–	45015
Japanese Equities			Y620 1		–	45016
Conti Euro Equities			DM15 980		–	45017
UK Negative Equities			£12 985		–	–
US Negative Eq			$9.963		–	–
Japanese Negative Eq			Y1041.7		–	–
Cont Eur Negative Eqs			DM–		–	–
UK Geared Equities			£10.00		–	–
US Geared Equities			$–		–	–
Japanese Geared Eqs			Y1050 1		–	–
Conti Euro Geared Eqs			DM10 817		–	–
Gold			$10.448		–	–
Protected Capital Plus			£10 00		–	–
John Govett Management (Jersey) Ltd						
Govett Emer Co NAV Sep 17			$10 01		–	47997
Govett Sealine Fd NAV Sep 18			37 90		–	47863
Paragon Fd NAV Aug 28			$10 89		–	47955
Paragon Redemption			$10 25		–	47106
Govett Fin Co Aug 28			106.35		–	40573
INVESCO MIM International Limited						

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	Yield Gross	City-line
Global Asset Management				
GAMerica	$323 57		–	45100
GAM Arbitrage	$305 56		–	45101
GAM ASEAN	$236 41		–	45102
GAM Australia	$132 74		–	45103
GAM Boston	$322 88		–	45105
GAM European	$106 78		–	47452
GAM Europe Fd	$78 70		–	47481
GAM France	FFr1640.51		–	45106
GAM Franc-val SFr	SFr147 86		–	45109
GAM GAMCO	$155.29		–	45123
GAM Global Fd	$111.23		–	45110
North Star Fund Managers – Contd.				
North Star International Currency Fund				
US Dollars	$24 6	24 7	–	44531
Pound Sterling	£15 3	15 4	–	44544
Deutschmark	DM143.0	144 0	–	44530
Japanese Yen	Y1420.0	1430 0	–	44548
Danish Kroner	DKr146.0	147 0	–	44951
Swiss Franc	SFr152.0	153 0	–	44955
French Franc	FFr141 0	142 0	–	44952
Swedish Kroner	SKr95 0	96 0	–	44954
Northfield International Ltd				
NAV Aug 31	$11.07		–	47012

هكذا عن الاصل

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

Crisis in the ERM

FOREIGN exchange trading this week is certain to focus on whether the European Exchange-Rate Mechanism has a future, *writes James Blitz.*

UK clearing bank base lending rate 10 per cent from September 17, 1992

By the end of last week, the chaos in the EMS left dealers believing that little may now depend on the result of the French referendum vote on Maastricht. The foreign exchanges have seen that the European Monetary System is weak after the departure of both sterling and the Italian lira, and the massive run on both currencies.

Although the UK government has said that sterling will return to the system when the time is right, the UK Chancellor appeared to imply in an interview last Friday that an early return to the EMS is not envisaged. There have been subtle indications, too, that the Bank of Italy is having second thoughts about its commitment to return to the system tomorrow.

The D-Mark's strength has even started to create strains at the very core of the system, among the Benelux countries which closely track the D-Mark's moves. On Friday, Belgium's central bank governor said the Belgian franc would be allowed to diverge more widely from its central ERM rate against the D-Mark than it had in the past.

The dollar could continue to profit from the turbulence in the EMS. In recent weeks, it has regained some of its old status as a safe haven currency and peaked at DM1.5020 in US trading on Friday night. Some analysts believe that the dollar needs to break through DM1.55 if its upward path is to be ensured. But with the US presidential election nearing, a sustained dollar rally may be difficult to achieve. The August figures for durable goods orders and home sales due out on Friday will confirm how weak the US economy is.

£ IN NEW YORK

Sep.18	Close	Previous Close
£ Spot	1.7320-1.7380	1.7900-1.7920
1 month	1.00-0.90pm	1.40-1.20pm
3 months	2.65-2.45pm	3.00-2.80pm
12 months	8.90-8.50pm	10.0-9.60pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep.18	Previous
8.30 am	85.5	86.3
9.00 am	85.9	86.3
10.00 am	86.0	87.4
11.00 am	86.0	87.5
Noon	85.7	87.0
1.00 pm	85.8	86.8
2.00 pm	85.6	86.7
3.00 pm	85.4	86.5
4.00 pm	85.5	86.4

CURRENCY MOVEMENTS

Sep 18	Bank of England Index	Morgan** Guaranty Changes %
Sterling	85.5	-24.7
U.S Dollar	61.9	-17.1
Canadian Dollar	97.4	-4.6
Austrian Schilling	113.4	+14.2
Belgian Franc	114.9	+0.4
Danish Krone	113.0	+5.8
D-Mark	124.1	+29.5
Swiss Franc	116.1	+26.1
Dutch Guilder	118.6	+19.4
French Franc	107.7	-9.8
Lira	90.6	-26.0
Yen	143.6	+79.3
Peseta	100.0	-24.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Sep.17

OTHER CURRENCIES

Sep 18	£	$
Argentina	1.7280 - 1.7310	0.9900 - 0.9910
Australia	2.3765 - 2.3785	1.3645 - 1.3655
Brazil	10144.5 - 10145.0	5820.20 - 5820.40
Finland	8.2150 - 8.4150	4.6800 - 4.7300
Greece	327.300 - 346.000	187.400 - 198.000
Hong Kong	13.4450 - 13.4890	7.7290 - 7.7300
Iran	2716.00*	1435.00*
Korea(Sth)	1383.75 - 1406.05	781.20 - 787.40
Kuwait	0.51300 - 0.51500	0.29500 - 0.29600
Luxembourg	53.70 - 53.80	30.85 - 30.95
Malaysia	4.3825 - 4.4035	2.5170 - 2.5180
Mexico	5313.60 - 5325.45	3091.00 - 3092.00
N.Zealand	3.2055 - 3.2085	1.8390 - 1.8410
Saudi Ar	6.5995 - 6.7515	3.7495 - 3.7505
Singapore	2.7965 - 2.8135	1.6075 - 1.6085
S.Af (Cm)	4.9575 - 4.9850	2.8310 - 2.8360
S.Af (Fn)	7.0425 - 7.0855	4.0405 - 4.0650
Taiwan	44.00 - 44.20	25.25 - 25.35
U.A.E.	6.4620 - 6.6125	3.6715 - 3.6735

*Floating rate. Iran Official rate £119.55 $63.30

CURRENCY RATES

Sep 18	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.806985	0.758678
U.S Dollar	3.00	1.42917	1.33034
Canadian $	4.93	1.73987	1.61477
Austrian Sch	8.25	15.1535	13.9460
Belgian Franc	8.00	44.5222	40.9612
Danish Krone	9.50	8.37565	7.72663
D-Mark	8.25	2.14590	1.98221
Dutch Guilder	8.00	2.40815	2.23271
French Franc	10½	7.31092	6.77810
Italian Lira	15.00	N/A	1673.30
Japanese Yen	3.25	178.432	165.455
Norway Krone	-	8.70579	8.03261
Spanish Peseta	-	149.925	139.627
Swedish Krona	500.0	8.04337	7.41200
Swiss Franc	6.50	1.87507	1.72013
Greek Drach	19	N/A	251.701
Irish Punt	-	N/A	0.751564

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Sep.17

POUND SPOT - FORWARD AGAINST THE POUND

Sep 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7350 - 1.7675	1.7395 - 1.7405	1.05-0.95cpm	6.90	2.70-2.60pm	6.09
Canada	2.1095 - 2.1720	2.1185 - 2.1195	1.06-0.87cpm	5.46	2.43-2.12pm	4.29
Netherlands	2.9275 - 2.9900	2.9275 - 2.9375	½-¼cpm	1.53	1½-1¼pm	1.88
Belgium	53.55 - 54.50	53.70 - 53.80	7-1cpm	0.89	16-14pm	1.12
Denmark	10.1575 - 10.1950	10.1650 - 10.1750	¼-½oredis	-0.37	1⅜-⅛pm	0.29
Ireland	0.9825 - 0.9950	0.9850 - 0.9860	1.40-1.70cpm	18.87	1.25-1.75pm	6.09
Germany	2.5975 - 2.6350	2.6100 - 2.6150	½-¼pfpm	1.72	1⅜-1⅛pm	1.91
Portugal	228.25 - 234.00	230.50 - 231.50	35-190cdis	-5.84	230-425dis	-5.67
Spain	181.35 - 185.20	183.85 - 184.15	6-10cdis	-0.52	18-24dis	-0.46
Italy	2179.00 - 2198.25	2183.25 - 2184.25	10-26liredis	-9.89	24-42dis	-6.04
Norway	10.4775 - 10.7575	10.5575 - 10.5675	4⅜-6⅝oredis	-6.25	6¼-8¾dis	-2.86
France	8.9250 - 8.9525	8.9350 - 8.9450	1-¾cpm	1.17	2¼-2¾dis	-1.12
Sweden	9.7375 - 9.7650	9.7425 - 9.7525	10⅛-11oredis	-13.00	21-24dis	-9.23
Japan	216.00 - 217.75	216.50 - 217.50	1⅛-1ypm	5.88	2⅞-2⅝pm	5.18
Austria	18.30 - 18.37	18.31 - 18.34	3⅞-2⅝gropm	2.13	10⅝-7⅝pm	1.99
Switzerland	2.2625 - 2.2750	2.2650 - 2.2750	⅝-½cpm	2.97	1½-1¼pm	2.42
Ecu	1.3470 - 1.3520	1.3495 - 1.3505	0.33-0.64cdis	-4.31	0.42-0.78dis	-1.78

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.90-4.70pm. 12 Month 8.90-8.70pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7350 - 1.7675	1.7395 - 1.7405	1.05-0.95cpm	6.90	2.70-2.60pm	6.09
Ireland†	1.7550 - 1.7700	1.7640 - 1.7650	1.60-1.20cpm	9.52	4.30-3.50pm	8.84
Canada	1.2125 - 1.2170	1.2160 - 1.2170	0.13-0.16cdis	-1.43	0.50-0.60dis	-1.81
Netherlands	1.6630 - 1.6975	1.6845 - 1.6855	0.91-0.94cdis	-6.59	2.56-2.61dis	-6.14
Belgium	30.55 - 31.10	30.85 - 30.95	15.00-17.00cdis	-6.21	45.00-49.00dis	-6.08
Denmark	5.7600 - 5.8600	5.8425 - 5.8475	3.30-3.80oredis	-7.29	10.00-11.25dis	-7.27
Germany	1.4750 - 1.5045	1.5005 - 1.5015	0.66-0.68pfdis	-5.36	2.05-2.10dis	-5.53
Portugal	130.40 - 133.75	132.00 - 132.10	300-500cdis	-36.35	500-800dis	-19.69
Spain	103.25 - 106.00	105.70 - 105.80	9-12cdis	-1.19	23-33dis	-1.06
Italy	1236.00 - 1268.75	1254.75 - 1255.25	14.00-22.00liredis	-17.21	34.00-44.00dis	-12.43
Norway	5.9700 - 6.1225	6.0675 - 6.0725	8.00-10.00oredis	-17.79	15.00-18.00dis	-10.87
France	5.0550 - 5.1550	5.1350 - 5.1400	3.05-3.25cdis	-7.36	9.00-9.40dis	-7.16
Sweden	5.5125 - 5.6350	5.6000 - 5.6050	4.15-4.20oredis	-8.94	11.40-11.55dis	-8.19
Japan	124.20 - 124.70	124.60 - 124.70	0.10-0.12ydis	-1.06	0.24-0.26dis	-0.80
Austria	10.4125 - 10.5400	10.5300 - 10.5350	4.85-5.35grodis	-5.81	14.60-16.10dis	-5.83
Switzerland	1.2860 - 1.3060	1.3045 - 1.3055	0.39-0.42cdis	-3.72	1.20-1.15dis	-3.60
Ecu	1.2890 - 1.3180	1.2895 - 1.2905	0.90-0.85cpm	8.14	2.60-2.54pm	7.97

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Sep.18	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.740	2.612	217.0	8.940	2.270	2.932	2184	2.119	53.75	184.0	1.350
$	0.575	1	1.501	124.7	5.138	1.305	1.685	1255	1.218	30.89	105.7	0.776
DM	0.383	0.666	1	83.08	3.423	0.869	1.123	836.1	0.811	20.58	70.44	0.517
YEN	4.608	8.018	12.04	1000.	41.20	10.46	13.51	10065	9.765	247.7	847.9	6.221
F Fr.	1.119	1.946	2.922	242.7	10	2.539	3.280	2443	2.370	60.12	205.8	1.510
S Fr.	0.441	0.767	1.151	95.59	3.938	1	1.292	962.1	0.933	23.68	81.06	0.595
N Fl.	0.341	0.593	0.891	74.01	3.049	0.774	1	744.9	0.723	18.33	62.76	0.460
Lira	0.458	0.797	1.196	99.36	4.093	1.039	1.342	1000.	0.970	24.61	84.25	0.618
C$	0.472	0.821	1.233	102.4	4.219	1.071	1.384	1031	1	25.37	86.83	0.637
B Fr.	1.860	3.237	4.860	403.7	16.63	4.223	5.455	4063	3.942	100	342.3	2.512
Pta	0.543	0.946	1.420	117.9	4.859	1.234	1.593	1187	1.152	29.21	100.	0.734
Ecu	0.741	1.289	1.935	160.7	6.622	1.681	2.172	1618	1.570	39.81	136.3	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

EURO-CURRENCY INTEREST RATES

Sep 18	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10½ - 10¼	10½ - 10¼	10⅜ - 10¼	10 - 9⅞	9 - 8¾	9 - 8⅞
US Dollar	3⅛ - 2⅞	3⅛ - 3⅛	3¼ - 3⅛	3¼ - 3⅛	3⅜ - 3⅜	3¾ - 3⅝
Can. Dollar	4⅝ - 4⅜	4⅝ - 4⅜	4⅝ - 4½	4⅞ - 4¾	4⅞ - 4¾	5⅛ - 4⅞
Dutch Guilder	9⅜ - 9¼	9¼ - 9¼	9¼ - 8⅞	9⅛ - 8⅞	9⅛ - 8⅞	8⅞ - 8⅞
Swiss Franc	6¾ - 6½	6¾ - 6½	6⅞ - 6¾	6⅞ - 6¾	6⅞ - 6¾	6⅞ - 6¾
D-Mark	8½ - 8¼	8½ - 8¼	8⅞ - 8⅞	8¾ - 8⅝	8⅝ - 8½	8⅝ - 8½
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

3 Mth. Treasury Bill	9¼		Three month	9.25	-0.55
1 Mth. Bank Bills	9¼		PARIS		
3 Mth. Bank Bills	9⅛		Intervention Rate	9.60	Unch'd
TOKYO			One mth. Interbank	10¼	
One month	4⅞		Three month	10⅛	
Three month	4⅞		MILAN		
BRUSSELS			One month	21¼	
One month	9⅞		Three month	17¾	
Three month	9⅝		DUBLIN		
AMSTERDAM			One month	10½	Unch'd
One month	8.775	-1.025	Three month	10⅞	Unch'd
Three month	8.755	-1.045			

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Wimbledon & South West Finance PLC
114 Newgate St, London EC1 7AE 071-606 9485
High Int Cheque Acc. 18.25 6.19 8.51 -

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. Compounded Annual Rate. Int Cr: Frequency at which interest is credited to the account.

FINANCIAL TIMES STOCK INDICES

	Sept 18	Sept 17	Sept 16	Sept 15	Sept 14	Sept 11	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs.	89.74	89.22	88.55	89.14	90.11	88.83	90.11	85.11	127.4	49.18
Fixed Interest	105.21	104.99	105.47	106.34	106.46	105.46	106.46	97.15	106.35	50.53
Ordinary	1885.2	1815.2	1716.4	1725.7	1775.4	1729.9	2149.7	1670.0	2149.7	49.4
Gold Mines	79.9	80.7	74.5	72.5	73.1	68.0	160.6	65.0	734.7	43.5
FT Act All-Share	1204.37	1164.96	1115.60	1118.69	1140.51	1118.91	1326.36	987.46	1326.36	61.92
FT-SE 100	2567.0	2483.9	2378.3	2370.0	2422.1	2370.9	2737.8	2281.0	2737.8	986.9
FT-SE Eurotrack 100	1070.95	1058.13	1053.63	1051.69	1073.79	1033.57	1199.58	993.01	1199.58	900.45
FT-SE Eurotrack 200	1144.61	1111.40	1098.65	1091.61	1113.61	1076.33	1248.79	1029.56	1248.79	938.62

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

JAPANESE YEN (IMM) Y12.5m $ per Y100

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	Nat Westminster	10
B & C Merchant Bank	15	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	12
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

LONDON SHARE SERVICE

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

Greenwich Res	3		–	–	–			–2773
Herald Gold C$	24½	9.1	020e	–	Dec	Jan	8.11	–
‡‡Hiverma West I£	40	–13.0	–	–	–		–	–
‡‡Kells Mins I£	18		–	–	–			–3741
Kenmare	3½	7.7	–	–	–			–1493
Melinga Res	17	17.2	–	–	–		–	–
‡‡Navan Res I£	24		–	–	–			–1185
North West Expl A$	3		–	–	–		–	–
Oryx Gold	63½	13.4	–		–			–3886
Plateau	3#		–	–	–			–3487
RTZ	627	18.1	19.5	1.5	Dec	Jul	23.3	3888
Vizcaya	1¾		–	–	–			–4193
Western & Pac C$	16½	22.2	–	–	–		–	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◊ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ❖ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis. F Dividend based on prospectus or other official estimates for 1990-91. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1991. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1991-92. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: HSBC (75p Shares) (Section: Banks), Kleinwort Endowment Policy (Inv. Trusts), Birkby and Tamaris (both Miscellaneous). Deletion: Campbell Soup (Americans).

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close September 18

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11½	AAR Corp	0.48	4.0	19	364	12	11¾	12	+⅛
28	18	A L Labs A x	0.18	0.8	78	280	22⅛	22	22	
68¾	52⅝	AMP Inc	1.52	2.5	23	6122	61	60⅛	60⅞	+⅝
80¼	56	AMR			21	3074	59⅛	58½	58¾	-⅛
2⅜	1⅛	ARX			18	108	1¾	1⅝	1⅝	+⅛
53½	33⅞	ASA	2.00	5.5	23	1046	36¼	35⅜	36⅛	+⅛
34¼	26⅛	Abbott Lab	0.60	2.0	21	1000	30	29⅝	29⅞	+⅛
13⅞	11⅞	Abitibi Pr	0.50	4.0	6	84	12⅝	12⅜	12½	+⅛
11⅝	10⅛	ACM Gvt In x	1.08	9.3		245	11⅛	11¼	11⅝	
10⅜	9⅛	ACM GvOpp x	0.79	8.0		100	9⅞	9¾	9⅞	
9⅝	8½	ACM Gvt Sp	0.89	9.4		562	9½	9⅜	9½	
11¼	10⅛	ACM Gvt Se	1.08	9.4		489	u11¼	11⅛	11¼	+⅛
10⅞	8⅞	ACM Man x	1.08	10.3		225	u10⅝	10½	10½	
12⅞	10½	ACM Mangd x	1.15	10.8		500	10⅝	d10½	10⅝	+⅛
11¾	4¾	Acme Cleve	0.40	5.8	13	82	6⅞	6¾	6⅞	
6¼	4⅜	Acme Elect			36	8	4⅝	4½	4⅝	
33¼	15	Acuson			10	1262	16⅞	15⅜	15⅞	+⅛
19⅝	16⅛	Adams Expr	0.48	2.4	1	49	u19⅞	19⅝	19¾	+⅛
49⅛	29½	Ad Micro	3.00	7.8		217	38¾	38⅛	38⅜	-⅜
21½	7½	Ad Micro P	3.00	24.7		43675	12⅜	12⅛	12⅛	-⅛
9⅛	4⅞	Advest Grp	0.16	2.8	71	86	5¾	5½	5¾	+¼
40⅞	33	Aegon ADR	1.65	4.0	7	206	u41⅞	40½	41⅝	+1⅞
47	38	Aetna Lf	2.76	7.1	10	3227	39⅛	d38	39	+1
12¾	8½	Afil A	0.24	2.2	13	625	11⅛	10⅞	10⅞	-¼
34	24	Aflac	0.44	1.5	14	2142	30⅛	29¾	30	-⅛
19⅜	13⅝	Ahmanson	0.88	6.3	65	5812	13⅞	d13⅝	13⅞	+⅛
22½	4⅞	Aileen Inc			8	270	5	d4¾	5	+⅛
49½	36½	Air Pr Chm	0.86	1.9	13	1741	45⅞	45⅛	45⅜	+⅛
29¼	12½	Airbne Frt	0.30	1.9	31	1059	16⅛	15⅝	16⅛	+½

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close September 18

Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close September 18

MONDAY INTERVIEW

Ruffling diplomatic feathers

Boutros Boutros Ghali, United Nations secretary-general, talks to **Robert Mauthner** and **Michael Littlejohns**

'My role is becoming more difficult'

Nine months after his controversial appointment as United Nations secretary-general, Mr Boutros Boutros Ghali could be forgiven for occasionally feeling self-satisfied at the way he has confounded those who questioned his suitability for the job.

The conventional wisdom in many western government circles was that, notwithstanding his long diplomatic experience and his distinguished career as an academic lawyer, this archetypal Egyptian civil servant lacked the dynamism and imagination to lead the UN in the post-Cold War era.

Yet it is because he has proved to be independent and outspoken that some noses have been put out of joint.

He has already ruffled many feathers – mainly those of diplomats – and achieved much more than was generally expected. Quite apart from the international problems he has had to deal with, Mr Boutros Ghali has made a good start on restructuring the UN's overblown bureaucracy, particularly its upper echelons; and has proposed an imaginative "Agenda for Peace" calling for the creation of permanent stand-by peace-keeping forces on which the UN could call at 24 hours' notice, and a system of "preventive diplomacy" designed to nip potential conflicts in the bud.

During an interview in his oak-panelled suite on the 38th floor of the UN headquarters in New York, the secretary-general makes no attempt to deny diplomats' compliants that he sometimes goes over their heads and deals directly with their governments. "*Mea culpa, maxima culpa.* Yes it is true. But if I have to wait a week to have an answer and the foreign minister or prime minister is an old friend, it would be counter-productive not to talk directly to them. I am doing this every day, otherwise I would not be able to finish all my work."

Mr Boutros Ghali certainly has a lot of on his plate. Yet he speaks about his job with passion and without trepidation. Though he is the first to concede that the end of the Cold War and the subsequent spirit of co-operation between the US and Russia has given the UN a new lease of life, he is convinced that the secretary-general's job has become infinitely more demanding.

"My role is becoming more difficult, not because of the absence of co-operation between the permanent members of the Security Council, or because of the absence of political will on their part, but because of the multiplication of problems: Yugoslavia, Salvador, Cambodia, Somalia, Angola, South Africa and, soon, Mozambique. The UN never had to deal with six or seven big problems at the same time."

The UN is currently running 12 peace-keeping operations in various parts of the world, involving some 40,000 military personnel under its command and at an estimated cost of nearly $3bn over the present 12-month period – more than four times the previous highest annual figure.

Yet there is not nearly enough money to pay for all these activities. "The member states owe the UN $1.8bn and only 52 out of a total of 179 have paid their contributions," the secretary-general complained. Both US President George Bush, whose country is the worst offender with an outstanding debt to the UN of $733m, and President Boris Yeltsin of Russia, the next biggest debtor, have promised to pay up in instalments. "But I am still waiting," he said.

Several proposals have been put before the General Assembly, currently meeting in New York, to deal with this cash-flow problem. These include charging interest on contributions not paid in time, the establishment of a temporary $50m reserve fund to meet the initial cost of peace-keeping operations and authorisation for the secretary-general to borrow on the money markets.

The failure of member states to recognise the UN's cash problems was at least partially behind the widely-publicised row last July between Mr Boutros Ghali and Lord Carrington, the European Community's former chief peace negotiator on Yugoslavia. The very undiplomatic tiff erupted over the secretary-general's criticism of the Security Council for endorsing the EC's proposal that the UN should supervise all heavy weapons in Bosnia.

Though pique at being presented with a a *fait accompli* by the Security Council and at being ordered around by a "regional" organisation like the EC certainly contributed to the ill-feeling, Mr Boutros Ghali now has a much more rational explanation for his sharp reactions at the time.

"It is useless to take decisions or adopt resolutions in the Security Council when you know that you do not have the capacity to implement them. My advisers had told me that it would take two to three months to find the additional forces, money and equipment to carry out such a monitoring operation [in Bosnia]. But the Europeans could have done it in something like three days. What was the interest, therefore, in asking the UN to undertake the operation instead of the EC member states? That was the reason for my confrontation."

The secretary-general believes the compromise reached at the London conference on Yugoslavia in August was perfectly acceptable. "What I obtained at that conference is the agreement of the Europeans to contribute to additional peace-keeping forces [for Bosnia] and that the cost of this operation would be paid directly by EC members. They wanted these forces to operate under the UN flag, and I accepted this." Though he is aware that this agreement raises the issue of UN control over future peace-keeping missions, Mr Boutros Ghali emphasises that it is a *sui generis* arrangement which will not be repeated elsewhere.

The secretary-general remains unperturbed when confronted with his description last summer of the Yugoslav conflict as "the rich man's war". He does not repeat the phrase in the interview, but he stresses that he sees his task as secretary-general as maintaining some kind of equilibrium between the richer and poorer nations. "The rapprochement between east and west must not be at the expense of the relations between north and south."

Similarly, he does not agree with the widespread impression that the UN is dominated by the US. "I say no, honestly. After nine months in this house, I can assure you that it is a very democratic system. The members spend hours if not weeks trying to obtain a consensus on a subject. This I would call democracy."

Because of the UN's increasingly heavy workload, Mr Boutros Ghali is anxious that specialised international agencies and regional organisations should play their full part in ensuring international peace and security, in co-operation with the UN.

"We are no longer asked only to undertake peace-keeping operations. We are asked to present a comprehensive approach, which embraces the return of millions of refugees to their former homes, rehabilitation, the reform of national administrations, the integration of armies of former enemies and much more besides. We are not able to cope with this comprehensive approach by ourselves and we need the assistance of different international specialised agencies."

These increasing demands on the UN has prompted Mr Boutros Ghali to order a thorough study of how the work of the UN and the autonomously functioning agencies can be better co-ordinated.

At 69, which some considered too old for the job only nine months ago, Mr Boutros Ghali appears to be in excellent health and full of life. Though he makes deprecating noises when asked whether he is enjoying his job – "I was an elder statesman in Egypt who could have his Turkish coffee twice a day and choose whatever trips abroad he wanted to go on" – there can be no doubt of his enthusiasm for the UN, a subject with which he has long been familiar as a professor of international law.

For all his enthusiasm, Mr Boutros Ghali has no intention of seeking a second mandate. "I am protected by my age (he will be 74 when his term expires). At a certain age you have to write your memoirs or go to the Côte d'Azur to admire the girls."

PERSONAL FILE

- **1922** Born in Cairo. Bachelor of law degree, Cairo university 1946. Ph.D. in international law, Paris university 1949. Author of more than 100 publications on world affairs, law and diplomacy.
- **1949-79** Professor of international law and international relations at Cairo university.
- **1974-77** Member of the central committee and political bureau of the Arab Socialist Union.
- **1977-91** Egypt's minister of state for foreign affairs.
- **1991** Egypt's deputy prime minister for foreign affairs.
- **1992** UN secretary-general

The fiscal roots of market turmoil

MICHAEL PROWSE on America

The communiqué released by the Group of Seven leading industrial countries over the weekend was singularly unimpressive even by this august body's own undemanding standards. The three paragraphs offered neither an analysis of why markets are in disarray nor an outline of possible cures. The statement's vacuity reflects the inability of US and European policymakers even to agree on the character of current problems.

From a US perspective the turmoil in the exchange rate mechanism (ERM) is a sideshow. Because foreign trade has always been a relatively minor component of the US economy, Americans have never taken exchange rate systems that seriously. They believe sacrifices may be worth making to achieve ultimate ends, such as economic growth, but not in defence of particular currency arrangements. When former President Richard Nixon broke the dollar's link with gold and summarily wound up the Bretton Woods exchange rate system in the early 1970s, he incurred the wrath of neither the American public nor US academics – who happily embraced the floating dollar.

Given this history, most US analysts privately welcome the *de facto* realignment of the ERM that is now under way. They never understood why Britain was so determined to impose Germany's abnormally high interest rates on an economy saddled with US levels of personal and corporate debt. And most believe the UK economy will do better with a domestically-oriented monetary policy.

Americans are preoccupied principally by lack of growth and jobs rather than by currency gyrations. The US Treasury's repeated warnings about growth are not just a reflection of the imminent presidential election. They reflect a different history – the US economic psyche was scarred by the Great Depression rather than by hyper-inflation. The fact that all three economic blocks – the US, Japan and Europe – are simultaneously facing hard times greatly worries Washington. While a global slump is not expected, it is not seen as impossible.

Perversely, the monetary restraints imposed by German unification may have encouraged complacency in Europe. Policymakers appear convinced that growth will revive if only they can find a way to reduce interest rates. In the US scepticism runs deeper because the Federal Reserve has already cut rates aggressively. The US went into recession with short-term interest rates of about 8 per cent – a level about which Britain can still only dream – and has since slashed them to 3 per cent. Yet the results have been profoundly disappointing. The economy has still not recovered decisively from recession: indeed, uniformly poor figures indicate that the very sluggish growth of recent quarters may again be tailing off.

It was thus not surprising to hear Mr Nicholas Brady, the US Treasury Secretary, declare over the weekend that the cure for the currency instability worrying Europeans was nothing less than action to meet the US's number one worry: lacklustre growth. History, however, reveals no clear link between growth and exchange rate stability: when the dollar plunged in the mid- to late-1980s, the world economy was enjoying a brisk recovery. Mr Brady's call for policies to restore global growth was just a coded demand for further German interest rate cuts. The US demands are logical: an easing of German monetary policy would soothe currency strains, prompt somewhat faster European growth and improve US export prospects.

But US analysis skirts the core of current problems. The lack of balance between monetary and fiscal policy is the underlying cause of both slow growth and currency instability. If Germany had financed the costs of unification mainly through tax increases rather than borrowing, German inflation and interest rates would be much lower and the ERM would not have blown apart. Germany's fiscal error was as serious in its way as the US's refusal in the late-1960s to raise taxes to finance the Vietnam war. The American mistake led to a decade of high inflation; Germany's has contributed mightily to what may prove a decade of stagnation.

The US, meanwhile, should have ended the boom of the 1980s with a sizeable budget surplus. It could then have used fiscal policy to counter the 1990-91 recession. Had it done so the Fed would not have had to cut interest rates so sharply, the dollar would have been stronger, and the strains on the EMS would have been greatly reduced.

The link between structural fiscal deficits and slow growth is even clearer. In the US, labour force growth has dwindled. The rate at which the economy can expand is thus determined mainly by productivity improvements which in turn reflect levels of savings and investment. The US is unable to grow faster than a meagre 1-2 per cent largely because huge deficits are draining already inadequate levels of domestic savings. Chronic US (and now German) deficits have greatly exacerbated a worldwide shortage of savings, pushed up long-term interest rates, and undermined global growth prospects.

You will read nothing of this in the pusillanimous G7 communiqué. The only mention of fiscal policy is an approving reference to higher public spending in Japan. Given such leadership, the world perhaps deserves its problems.

JOTTER PAD

Usual rules do not apply

IAN DAVIDSON on Europe

In their attempts to develop a policy towards the civil war in Yugoslavia, western governments are operating under three severe handicaps. The first is that they bear a serious responsibility for having accelerated the war by their serial recognition of would-be independent states. Second, they cannot make good this responsibility because they have no operational leverage for bringing the conflict to a halt, at least none that they can exercise without mobilising hundreds of thousands of men, with any chance of success.

But the third and most serious handicap is that they dare not admit the gruesome truth that the situation probably has to get worse before it can get durably better, and that the "ethnic cleansing" which all condemn may in fact be a necessary precondition for any lasting settlement.

Perhaps the earlier errors were unavoidable in the circumstances in which they were committed; perhaps the Germans could not escape a national obligation to press for early recognition of Slovenia and Croatia; but even if that is now water under the bridge, it still leaves the Germans, and thus also their partners in the European Community, with responsibilities for trying to cure the damage which they cannot possibly fulfil.

After such an unpromising starting point, the twin-track approach which has been evolving in the European Community and the United Nations is probably about as constructive as one might reasonably expect. On the one hand, there is the diplomatic strategy fronted by Cyrus Vance for the UN and David Owen for the EC, which aims to persuade the warring factions to give up the bloody conflict and come instead to the conference table. On the other hand, the United Nations is now making a seriously determined effort to push through the programme of humanitarian aid with some small backing of military force.

The tender-hearted may feel that this twin-track programme is far too little compared with the need. Moral revulsion at the barbaric tribalism of this multi-sided conflict, plus the urge to protect the innocent or at least alleviate their sufferings, together seem to call for much deeper engagement to put an end to an unacceptable situation.

The tough-minded, by contrast, would argue that the outside world is already trying to do far too much, in a situation where it can have no effective leverage on the conflict, and that any further involvement carries a manifest danger of getting sucked into a politico-military quagmire, with potentially disastrous consequences.

Such realists have the deepest misgivings over the latest UN plan to send troops to back up the provision of humanitarian aid; for they fear that this could lead uncontrollably to military involvement in the fighting, but without any framework of a realistic political strategy.

Between the competing claims of morality and realism, the present twin-track programme is in fact about the best that can be offered in extremely unpromising circumstances. The outside world cannot bring peace; but it can lay down some principles of international law, and hold out a useful procedural framework ready for the day when most of the combatants decide they would prefer peace to war.

In the absence of peace, the outside world cannot prevent the death and deprivation of many innocent civilians on all sides; but it must do what it can to alleviate these sufferings, and it should do a lot more than it is now doing, because it could save many hundreds of lives.

But this twin-track policy only makes political sense on two conditions. The first is that the UN humanitarian aid programme is kept rigidly and manifestly distinct from any monitoring or peacekeeping operations, because it is essential that the combatants should have no reason to believe that the aid escorts are really a peacemaking force in disguise. This means accepting that the aid escorts cannot fire back, even at the cost of taking casualties.

The second condition is that we must recognise that the conference arrangements being offered are unlikely to serve any useful function until the fighting in some sense comes to rest. It is right for the outside world to insist on high-minded principles such as self-determination and the protection of minority rights.

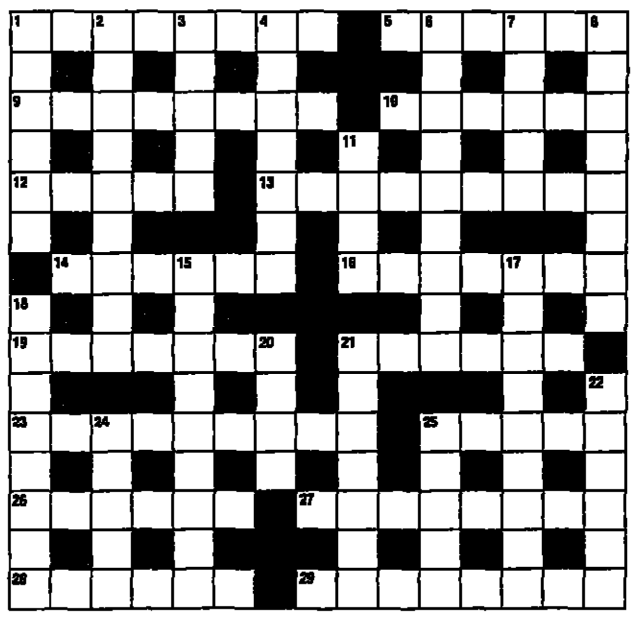
But the bottom line is that peace negotiations will probably not start in any serious way, until the combatants see the prospect of stable political and territorial arrangements. Since the root cause of the fighting is the secular mutual hatreds of the warring communities, one of the prime preconditions of stable political and territorial arrangements will be a high degree of ethnic homogeneity.

The outside world is never likely to admit that ethnic cleansing, which means large movements of peoples, and non-respect of minority rights, could be a necessary part of any peace settlement, because it is morally repulsive and contrary to principles to which most civilised governments formally subscribe.

But if the choice is between ethnic cleansing and a negotiated peace on the one hand, and continued slaughter and suffering of the innocent, in the name of the protection of minority rights, on the other, it seems clear where one's choice should lie. This is a serial civil war, and in civil wars, the usual rules do not apply.

CROSSWORD

No.7,956 Set by DANTE



ACROSS

1 Inundated with state aid perhaps (8)
5 Fearful sort of cavern (6)
9 Bob identifies two causes of power failure (3,5)
10 Demon drink? (6)
12 An offer of equality in race matters? (5)
13 Renovate with a form of rush fibre (9)
14 German doctor returns in a cab (6)
16 Not much talked about, as planetary movements are? (7)
19 Hold I cannot break (7)
21 Skilful American lawyer gets a new lead (6)
23 I'm held back by exchanges of shots in battle (9)
25 A factor in show business (5)
26 Inward-turning scientist (6)
27 Definite sign of an increase (8)
28 Named flier set the pace (6)
29 Made a comeback and was elected (8)

DOWN

1 Holy area in outskirts of Samarkand (6)
2 Advocates getting in money to create large food store (5,4)
3 Remains of pitched battles (5)
4 A murder suspect, one hears (3-4)
6 Note golf score, adequate but may be fixed (9)
7 Top scorer's off-drive (5)
8 Bananas he will put in for fruit container (3-5)
11 Hair-style for a transformation? (4)
15 Working steam-mill of no great importance (5-4)
17 He has a heavy role at reading, possibly (9)
18 Believe Bill has time to pay (8)
20 To expose a lie it needs hammering home (4)
21 Reveal bodies perhaps? That's about right (7)
22 Turn up at ten on the dot initially (6)
24 He got stuck in the bath (5)
25 Breathe one's last during a university farewell (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday October 3.